

FHA Single Family Housing Policy Handbook

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IV. CLAIMS AND DISPOSITION

A. CLAIMS

This section provides the standards and procedures applicable to the submission of claims for all Single Family (one to four units) Mortgages insured under Title II of the National Housing Act, except for Home Equity Conversion Mortgages (HECM). The Mortgagee must fully comply with all of the following standards and procedures when submitting a claim for Federal Housing Administration (FHA) mortgage insurance benefits.

1. Claim Submission Process

a. Preparation and Submission of Claims

i. Who Can Submit Claims

The holding Mortgagee or the servicing Mortgagee must submit the claim.

ii. Liability for Claims Filed

Mortgagees are liable for the contents of any claims filed. By submitting a claim, whether electronically or by paper, the Mortgagee certifies that the statements and information contained in the claim are true and correct.

HUD will prosecute false claims and statements and Mortgagees may be subject to [criminal and/or civil penalties or other action](#) (see the Enforcement section of the Quality Control, Oversight and Compliance section of the *SF Handbook*).

iii. FHA Case Number

The Mortgagee must ensure that the FHA case number is on all claims correspondence and documents sent to the Mortgagee Compliance Manager (MCM) and HUD.

iv. Insured Mortgages

The Mortgagee may only submit a claim for a Mortgage that is insured by FHA.

v. Borrower's Social Security Number

(A) Mortgages for which an Application for a Firm Commitment was Signed On or After August 14, 1986

The Mortgagee must include at least one of the Borrowers' Social Security Numbers (SSN) in Item 33 of Part A on all claim forms for Mortgages for which an application for a Firm Commitment was signed on or after August 14, 1986.

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If additional space is needed, the Mortgagee may enter the co-Borrowers' SSNs in the "Mortgagee's comments" section.

(B) Mortgages for which an Application for a Firm Commitment was Signed Before August 14, 1986

(1) Standard

Where the application for a Firm Commitment was signed before August 15, 1986, the Mortgagee may submit a claim form without a Borrower's SSN if:

- the Mortgagee has made the annual requests for the Borrower's SSN, as required by the Internal Revenue Service (IRS), but the Borrower has failed to provide the requested SSN;
- the Mortgagee has made an exhaustive search of all available records and cannot find the Borrower's SSN; or
- the Borrower is deceased or cannot be located to provide the missing SSN.

(2) Required Documentation

To submit the claim form without the Borrower's SSN, the Mortgagee must:

- attach to the claim a signed certification or include in the "Mortgagee's comments" section the following language: "I certify that no social security number is available for FHA Case Number ___, upon which this claim is based. I further certify that I or representatives of my company have searched for all available records and made all annual requests for the Borrower's social security number that are required by the IRS;" and
- detail in the "Mortgagee comments" section the Mortgagee's efforts in attempting to obtain the Borrower's SSN.

vi. Form HUD-27011, Single Family Application for Insurance Benefits

The Mortgagee must use [form HUD-27011, Single Family Application for Insurance Benefits](#), to submit a claim for insurance benefits. Form HUD-27011 consists of the following five parts. See the [Claim Filing Technical Guide](#) for detailed information on completing this form.

(A) Part A – Initial Application

The Mortgagee must submit initial case data through Part A for each claim. Part A includes information relating to the Mortgage, Property, property condition, Mortgagee, payment history, and the foreclosure or, if appropriate, the assignment or Pre-Foreclosure Sale (PFS).

(B) Part B – Fiscal Data

The Mortgagee must submit fiscal data related to allowable expenses and accrued interest through Part B for each claim. Part B provides all summary information

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relating to receipts and disbursements incurred by the Mortgagee that affect the amount of insurance claim.

For all claims other than conveyance claims, the Mortgagee must submit Part B simultaneously with Part A.

(C) Part C – Support Document

Part C contains itemized information relating to disbursements for the Property Preservation and Protection (P&P). Where applicable, the Mortgagee must prepare this document prior to completion of Part B.

(D) Part D – Support Document (Continuation 1)

Part D contains itemized information relating to such items as taxes, hazard insurance premiums, Mortgage Insurance Premiums (MIP), and foreclosure costs. Where applicable, the Mortgagee must prepare this document prior to completion of Part B.

(E) Part E – Support Document (Continuation 2)

Part E contains itemized information relating to closing costs and amounts due from and to the buyer at closing. The Mortgagee must submit Part E:

- for PFS claims; and
- when claiming appraisal and deficiency Judgment costs actually incurred by the Mortgagee and permitted or directed by HUD, on conveyance claims.

Where applicable, the Mortgagee must prepare this document prior to completion of Part B.

vii. Methods of Submission of Claims

Mortgagees must use one of the following methods to file claims.

(A) Electronic Data Interchange

(1) Definition

The Electronic Data Interchange (EDI) is an online system for Mortgagees to electronically file claims.

(2) Standard

The Mortgagee may submit claims via EDI for all claims other than Loss Mitigation Home Retention incentive claims and supplemental claims.

(3) EDI Technical Guidance

The Mortgagee may find information on using EDI in HUD's [EDI Implementation Guide](#).

(4) Application Advice and Error Correction

HUD will use Transaction Set (TS) 824 to notify Mortgagees of errors in their submissions. The Mortgagee must take necessary corrective action within 45 Days of the TS 824 to avoid deletion of its EDI claim.

(B) FHA Connection

(1) Definition

FHA Connection (FHAC) is an online system for Mortgagees to access and communicate to HUD origination, servicing, and mortgagee approval and recertification information.

(2) Standard

The Mortgagee may submit claims via FHAC for conveyances, Loss Mitigation Home Retention Option incentives, and PFS claims.

The Mortgagee may not use FHAC for filing Single Family Loan Sale (SFLS) claims, Property located on Indian Land claims, Hawaiian Home Land claims, and supplemental claims.

The Mortgagee must enter and submit claims individually; the claims submitted will be batched and loaded nightly into the HUD Claims system for processing the next business day.

(3) FHAC Technical Guidance

The Mortgagee may find information on using FHAC in HUD's [FHA Connection Guide](#).

(4) Transmission Confirmation

The Mortgagee must include a copy of the Single Family Insurance System (SFIS) Claims Input Result screen in the Claim Review File. This screen appears when the claim has been successfully transmitted and will show the claim detail and receipt date.

(5) Error Correction

The Mortgagee must review its claim status via FHAC to determine whether a claim has been suspended and in need of correction or documentation. The

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Mortgagee must complete necessary corrective action within 60 Days of the suspension to avoid deletion of its claim submission.

(6) Advice of Payment Letter

If the claim is paid, the Mortgagee will be able to access the Advice of Payment letter via FHAC.

(7) Mortgagee Contact Information

The Mortgagee must include in all claims submitted via FHAC a staff member contact name and phone number. Alternatively, the Mortgagee may enter the name of a department or functional area that can be contacted regarding FHAC submissions.

(C) Paper Submission Process

(1) Definition

A Paper Claim is a hard copy of form HUD-27011 or equivalent that is mailed to HUD for processing of a claim for mortgage insurance benefits.

(2) Standard

The Mortgagee may submit paper claims for all claims other than Loss Mitigation Home Retention incentive claims and SFLS claims, where disallowed by the Participating Servicer Agreement (PSA).

The Mortgagee may use a computer-generated form or facsimile to submit a paper claim only if it is substantially identical to the form HUD-27011 in size and format.

(3) HUD Processing Fee

HUD will assess a \$100 processing fee for each Part A and B of form HUD-27011 filed as a paper claim, with the exception of:

- supplemental claims; and
- claims for Mortgages insured under Section 247 (Hawaiian Home Lands) or Section 248 (Insured Mortgages on Indian Land).

(4) Certification of Claim Accuracy

The Mortgagee must ensure that the paper claim form is signed by an authorized Mortgagee official. By signing the form HUD-27011, the authorized Mortgagee official is certifying that all information and statements contained in the claim are true and correct.

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HUD will return the claim submission to the Mortgagee if it is not signed or if it contains a stamped, illegible, or duplicated signature.

(5) Electronic Signatures

The use of electronic signatures is voluntary. HUD will accept an electronic signature conducted in accordance with the [Policy on Use of Electronic Signatures](#) (see this section in the Origination through Post-Closing/Endorsement section of the *SF Handbook*) on claim documents requiring signatures, unless otherwise prohibited by law.

(6) Submission of the Initial Paper Claim

The Mortgagee must send via mail or courier the original form HUD-27011 Parts A, B, C, D, and/or E with required attachments, to:

U.S. Department of Housing and Urban Development
Single Family Claims Branch
Attn: Claim Reviewer
Room 6251
451 7th Street, SW
Washington, DC 20410

The Mortgagee may request information regarding its HUD-designated Claim Reviewer by emailing Fha_Sfclaims@hud.gov.

(7) Pre-Screening

(a) Definition

Pre-Screening of Claims is the process by which HUD reviews paper claim packages before processing to determine whether any data is missing or incomplete.

(b) Standard

If any discrepancies or deficiencies are found, HUD ceases its review of the claim and will return the unprocessed claim to the Mortgagee.

HUD considers the official receipt date of the paper claim to be the date that HUD receives a claim that passes pre-screening.

(8) Error Correction

HUD will return any paper claim submissions that do not comply with HUD form requirements or are illegible or incomplete. The Mortgagee must correct the

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deficiencies and review the unprocessed claim for any additional errors to avoid return.

Claim applications returned for correction may result in debenture interest curtailment if corrected claims are not submitted within HUD's claim timeframes.

b. Claim Status

Within two business days after transmission, the Mortgagee may view claim status on FHAC as follows:

- for paid claims, an Advice of Payment letter or Payment Advice – TS 820 will be available; and
- for suspended claims, a list of suspended edit codes, with explanations, or TS 824 will be available.

c. Claim Review File

i. Standard

For each claim filed, the Mortgagee must maintain evidence of compliance with HUD's servicing requirements. In addition to retaining the documentation required in the [servicing file](#) (see the Servicing File section in the Servicing and Loss Mitigation section of the *SF Handbook*), the Mortgagee must include the following documentation in its Claim Review File:

- Default servicing documentation, including:
 - communication with Borrowers and with HUD;
 - required notices;
 - evidence of evaluation under HUD's Loss Mitigation Program, including 90-Day Reviews;
 - documentation evidencing the Mortgagee's compliance with HUD's reasonable diligence requirements;
 - a copy of the summary of all Single Family Default Monitoring System (SFDMS) status codes reported, available via either the FHAC or through Neighborhood Watch web applications;
 - a print-out of the FHAC screen showing the check mark at the top of the page confirming that the reporting of Status Code 68 was successful (including the date of submission legibly shown), or a copy of the TS 824 confirming that the Status Code 68 transaction was timely submitted to HUD without a fatal error;
 - documentation justifying any delays in meeting HUD timeframes; and
 - if applicable, documentation relating to compliance with federal or state prohibitions or delays; and
- claims and/or conveyance documentation, including:
 - copy of the deed or assignment with date of recordation, along with a copy of the transmittal letter, if the deed or assignment was sent to a recording authority;

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- title approval letter, if applicable;
- title submission certification, for assignments only;
- evidence showing that the certificate of title to the Manufactured Home is properly retired;
- receipts supporting all disbursements for which reimbursement is claimed;
- inspection reports;
- any photographs needed to support P&P expenses;
- written responses from HUD's MCM regarding approval of extensions or expenses;
- copy of buydown and rental agreements;
- Advice of Payment letters;
- copy of hazard insurance policy and flood insurance policy, if applicable;
- for claims involving Reconveyance and reacquisition, evidence that the title or property issue requiring Reconveyance has been corrected; and
- all parts of the claim form, schedules, attachments, and any other supporting documents.

ii. Record Retention Period

The Mortgagee must retain this documentation for at least seven years after the final claim or latest supplemental claim settlement date:

- The final settlement date is the date of the last acknowledgement or payment received by the Mortgagee in response to the submission of a claim. In certain cases, the acknowledgement may be in the form of a bill.
- The supplemental settlement date is the date of the final payment or acknowledgement of such supplemental claim. In certain cases, the acknowledgement may be in the form of a bill.

iii. Electronic Storage

The Mortgagee may use electronic storage methods for all other required servicing and claim-related documents where retention of a hard copy or original document is not required.

iv. HUD Requests for Information

The Mortgagee must make available to HUD hard or electronic copies of identified claim files within 24 hours of a request, or as otherwise requested by HUD. HUD may charge a fee for the review of a Claim Review File that is not provided to HUD when requested.

v. Missing Claim Files

If the Mortgagee is unable to produce the Claim Review File at HUD's request during the record retention period, HUD may consider all amounts for expenses and interest to have been paid in error.

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2. Claim Types

2. Claim Types

Mortgagees may submit the following claim types for Single Family forward Mortgages.

a. Claim Type 01 - Conveyances

The Mortgagee may submit a claim after conveyance of a Property to HUD through foreclosure or by Deed-in-Lieu (DIL) of Foreclosure under Claim Type 01.

i. Computation of Interest

(A) Calculating Debenture Interest

(1) Debenture Interest Rates

(a) Mortgages Endorsed for FHA Insurance after January 23, 2004

For Mortgages that were endorsed after January 23, 2004, and are not Direct Endorsements, the Mortgagee must calculate debenture interest as the monthly average yield for the month in which the Default on the Mortgage occurred, on [United States Treasury Securities](#) adjusted to a constant maturity of 10 years.

(b) Mortgages Endorsed for FHA Insurance On or Before January 23, 2004

For Mortgages that were insured on or before January 23, 2004 and were not Direct Endorsements, the Mortgagee must calculate the debenture interest rate as the higher of the rates in effect on:

- the date the Mortgage was endorsed for insurance; or
- the date of Firm Commitment.

(c) Direct Endorsements and Coinsurance Programs

(i) Mortgages Endorsed for FHA Insurance After January 23, 2004

For applications involving Mortgages originated under the Single Family Direct Endorsement Program and endorsed for FHA insurance after January 23, 2004, the Mortgagee must calculate the debenture interest rate as the monthly average yield for the month in which the Default on the Mortgage occurred, on [United States Treasury Securities](#) adjusted to a constant maturity of 10 years.

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(ii) Mortgages Insured On or Before January 23, 2004

For Direct Endorsement Mortgages insured on or prior to January 23, 2004, the Mortgagee must calculate debenture interest as the rate in effect on the date the Mortgage was endorsed for insurance.

(2) Timeframes for Debenture Interest

(a) Interest up to Date of Claim Settlement

(i) Definitions

The Date of Initial Claim Settlement is the date that HUD approves the settlement of Part A of form HUD-27011 for payment.

The Date of Final Claim Settlement is the date that HUD approves the settlement of Part B of form HUD-27011 for payment.

(ii) Standard

Part A

Provided that the Mortgagee has met all time requirements, HUD will pay debenture interest on the unpaid principal balance from the date of Default to the date of initial claim settlement.

Part B

HUD will compute interest on expenditures from the date of the submission of Part B to the date of the final claim settlement.

(b) Interest up to Date of Disbursement

(i) Definitions

The Date of Disbursement, as applicable to claims, is the date the Mortgagee paid for an expense.

(ii) Standard

For each disbursement itemized on Parts C, D and E, the Mortgagee must compute the debenture interest from the latter of the date of disbursement or Default, to the earlier date of when Part B is prepared or Part A [date of interest curtailment](#).

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2. Claim Types

(iii) Required Documentation

The Mortgagee must enter in Item 204 (Part C) and Item 304 (Part D), the date to which interest is calculated for expenditures claimed on form HUD-27011, Part B. This will be the same date as entered in Item 104, Part B, provided no time requirement or approved extension has been missed.

(B) Calculating Interest for an Expenditure using Daily Interest Rate Factors

(1) Definition

Daily Interest Rate Factors are the annual interest rate expressed as a decimal, divided by 365, and rounded to the fourth place to the right of the decimal, for the purpose of calculating interest on claimed expenditures.

(2) Standard

The Mortgagee must calculate the amount of interest to be claimed for an expenditure as follows:

- multiply the [Daily Interest Rate Factor](#) by the amount paid; then
- multiply this result by the number of Days from the date paid (or Default date, if later) for each line Item to the earlier of:
 - the date in Item 104 (submission date for Part B); or
 - the date of the earliest time requirement missed (Item 204 and 304).

(3) Interest for Expenditures Before the Date of Default

(a) Standard

If the Mortgagee makes an expenditure or advance before the date of Default, the Mortgagee may only calculate debenture interest from the date of Default.

HUD will not pay debenture interest on expenses prior to the date of Default.

(b) Required Documentation

When filing the claim, the Mortgagee must:

- enter the date of Default in the “Date Paid” column of Parts C, D, and E; and
- place the actual date paid in parentheses, following the description of the expenditure or advance.

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(C) Calculating Interest for Default after SFB-Unemployment

(1) Standard

(a) Timeframe for Mortgage Note Interest

When the Mortgagee files a claim for insurance benefits after a Default under a Special Forbearance (SFB) - Unemployment Agreement, HUD will pay mortgage note interest for the period beginning on the due date of the last completely paid installment, up to the earliest of the following dates:

- date of institution of foreclosure proceedings;
- date of acquisition of title and possession by DIL of Foreclosure;
- date the Property was acquired by the Commissioner under a direct conveyance from the Borrower; or
- 90 Days after the date of the Default of the SFB-Unemployment Agreement; or such other date as HUD may approve in writing prior to expiration of this 90-Day period.

(b) Calculating Mortgage Note Interest using Daily Interest Rate Factors

To obtain the amount of accrued mortgage interest due, the Mortgagee must:

- multiply the [Daily Interest Rate Factor](#) by the amount of the unpaid principal balance; and
- multiply the result by the number of days from the due date of the last completely paid installment to the date selected above as the “ending date.”

(c) Timeframe for Debenture Interest

When the Mortgagee files a claim for insurance benefits after a Default under an SFB-Unemployment Agreement, HUD will pay debenture interest for the period beginning on:

- the date of initiation of foreclosure proceedings; or
- the date of acquisition of title by the Mortgagee or by HUD.

This debenture interest period ends on the date of the initial claim payment or the date of interest curtailment.

(d) Calculating Debenture Interest

HUD will compute the debenture interest at the time of payment of Part B, using the rate in effect at the time of the mortgage Default. Where “Mortgage Note Interest” is claimed on Part B because of an SFB-Unemployment Agreement, HUD will subtract from the claim any debenture interest already paid for the same period.

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(2) Interest on Claim Form

The Mortgagee must reflect the use of an SFB-Unemployment Agreement by entering the following in Item 121:

- From: Enter the date of the last completely paid installment after all funds received under the Agreement are applied according to the terms of the Mortgage (Item 8, part A). If no Mortgage Payments were made, enter a date 30 Days before the due date of the first scheduled payment (Item 7, Part A).
- To: Enter the earliest of the following dates:
 - the date of institution of foreclosure proceedings;
 - the date of acquisition of title and possession by DIL of Foreclosure;
 - the date the Property was acquired by the Commissioner under a direct conveyance from the mortgagor; and
 - 90 Days, or such other time as approved by the Management and Marketing (M&M) contractor, following the date of the Borrower's [SFB-Unemployment Agreement failure](#) (see the SFB-Unemployment Option Failure section in the Servicing and Loss Mitigation section of the *SF Handbook*).
- Rate: Enter the mortgage interest rate as it appears on the mortgage Note.
- Column C: Enter the amount of mortgage interest due.

(3) Required Documentation

The Mortgagee must [send to HUD](#) with Part B of form HUD-27011 a copy of the:

- Executed SFB-Unemployment Agreement; and
- the payment history.

The Mortgagee must retain copies of these documents in the Claim Review File.

(D) Curtailment of Interest

(1) Definitions

Curtailment of Interest is the cutoff of the accrued interest calculation as of the date on which the Mortgagee fails to take a required action.

The Date of Interest Curtailment is the date that the Mortgagee first failed to meet HUD's reasonable diligence or reporting requirements and must therefore curtail interest.

(2) Standard

The Mortgagee must self-curtail interest on Single Family claims when it fails to meet HUD's reasonable diligence or reporting requirements as of the date on which the required action should have been taken.

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If more than one time requirement is missed and there are no applicable extensions, the Mortgagee must calculate the interest for the claim payment to the earliest missed time requirement.

(a) Failure to Timely Initiate Foreclosure

The Mortgagee must curtail interest if it fails to meet the [time requirement](#) (see the When to Initiate Foreclosure section in the Servicing and Loss Mitigation section of the *SF Handbook*), including applicable extensions, to initiate foreclosure, regardless of whether later payments advanced the date of Default.

(b) Failure to Give HUD Notice of Foreclosure

The Mortgagee must curtail interest if it fails to meet the [time requirement](#) (see the Notice to HUD of Foreclosure Initiation section in the Servicing and Loss Mitigation section of the *SF Handbook*) to give notice to HUD of the foreclosure via SFDMS. Until the Mortgagee properly reports the foreclosure initiation, the Mortgagee must reduce its claim by an amount equivalent to 30 Days of interest for each SFDMS reporting cycle missed.

(c) Failure to Meet Reasonable Diligence Timeframes

The Mortgagee must curtail interest if it fails to meet HUD's [Reasonable Diligence Timeframes](#) (see the Reasonable Diligence in Completing Foreclosure section in the Servicing and Loss Mitigation section of the *SF Handbook*), including applicable extensions, in:

- completing foreclosure;
- acquiring good marketable title to and possession of the Property; and
- if applicable, starting eviction or possessory action.

(d) Failure to Meet Timeframe to Convey to HUD

The Mortgagee must curtail interest if it fails to meet HUD's [timeframe in conveying the Property to HUD](#) (see the Conveyance Timeframe section in the Servicing and Loss Mitigation section of the *SF Handbook*).

(3) Required Documentation

The Mortgagee must indicate the interest curtailment date on form [HUD-27011](#), as follows:

- In Part A, the Mortgagee must enter the curtailment date in Item 31, ensuring that this date is before the date in Item 9. The Mortgagee must indicate in the "Mortgagee's comments" section of the reason for the curtailment.

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- When a curtailment date is entered in Item 204 Part C and 304 Part D, the Mortgagee must indicate in the “Mortgagee’s comments” section of Part B the reason for the curtailment.

The Mortgagee must retain any copies of extensions received from HUD in the Claim Review File.

(4) Remittance of Claim Payments for Failure to Self-Curtail

If a Mortgagee determines during its Quality Control (QC) review that it failed to self-curtail when submitting the claim, the Mortgagee must remit claim-related payments to HUD through the Claim Remittance feature in FHAC. For more information on remitting payments, see [Quick Start Guide: Claims Processing Functions](#).

ii. Computation of Claim Amount

The Mortgagee may claim up to 100 percent of the unpaid principal balance, plus allowable costs and debenture interest.

(A) Damage to Conveyed Properties

(1) Definition

Surchargeable Damage is damage to a Property caused by fire, flood, earthquake, tornado, boiler explosion (for condominiums only) or Mortgagee Neglect.

Mortgagee Neglect is the Mortgagee’s failure to take action to preserve and protect the Property.

(2) Standard

(a) HUD-Required Repairs of Damage to the Property

Where HUD requires the Mortgagee to repair a Property before conveyance, the Mortgagee may not request reimbursement for repairs for Surchargeable Damage.

(b) Conveyance of Property with Surchargeable Damage or Damage due to Mortgagee Neglect

Where HUD has authorized the Mortgagee to convey a damaged Property, the Mortgagee must include in the claim form hazard insurance proceeds in the total amount made available by the hazard insurer for repairs of the covered loss.

HUD will deduct from the mortgage insurance benefits the greater of:

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- any hazard insurance proceeds; or
- HUD's estimate of the cost to repair the Property.

(c) Estimating the Recovery Amount

If the Mortgagee has not received the hazard insurance proceeds by the time of the Part A claim submission, the Mortgagee may estimate the recovery.

(d) Adjustment of Recovery Amount

If the actual recovery amount is less than the amount estimated, the Mortgagee may request reimbursement of the difference between the amount of proceeds expected and the proceeds received if both are greater than HUD's estimate of damage.

The Mortgagee is not entitled to a reimbursement if it would reduce the deduction in insurance benefits to less than HUD's estimate of damage.

(e) Mortgagee Certification for Properties Damaged by Fire

(i) Definition

The Mortgagee Certification for Properties Damaged by Fire is a certification prepared by the Mortgagee in order to convey to HUD certain eligible Properties damaged by fire.

(ii) Standard

When the Mortgagee meets all regulatory requirements for conveying a Property damaged by fire without prior HUD approval, the Mortgagee must include a mortgagee certification for properties damaged by fire to limit the reduction to the claim to the amount of insurance recovery.

The Mortgagee Certification must include the following statements:

- at the time the Mortgage was insured, the Property was covered by fire insurance in an amount at least equal to the lesser of 100 percent of the insurable value of the improvements, or the principal loan balance of the Mortgage;
- the insurer later cancelled this coverage or refused to renew it for reasons other than nonpayment of premium;
- the Mortgagee made diligent efforts within 30 Days of any cancellation or non-renewal of hazard insurance, and at least annually thereafter, to secure other coverage or coverage under a Fair Access to Insurance Requirements (FAIR) Plan, or if coverage to such an extent was unavailable at a reasonable rate, the greatest extent of coverage that was available at a reasonable rate;

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- the extent of coverage obtained by the Mortgagee was the greatest available at a reasonable rate, or if the Mortgagee was unable to obtain insurance, none was available at a reasonable rate; and
- the Mortgagee performed all required property preservation actions.

(iii) Required Documentation

The Mortgagee must upload into P260 a copy of the Mortgagee Certification and must retain a copy in the Claim Review File.

(f) Conveyance of Damaged Property Without Approval

If a Mortgagee conveys a damaged Property to HUD without approval or if HUD disputes the Mortgagee's assertion that the damage is not its responsibility, the MCM will notify the Mortgagee in writing of its finding. Depending on the extent of the damage and the MCM's finding, HUD may [reconvey](#) (see the Conveyance of Acquired Properties – Reconveyance section of the Servicing and Loss Mitigation section of the *SF Handbook*) the Property or reduce the insurance claim by HUD's estimate to correct the Surchargeable Damage.

(3) Required Documentation

The Mortgagee must document all Surchargeable Damage and other damage to the Property on the claim form as follows:

- for Surchargeable Damage, mark "Yes" in Item 24, complete Items 26 and 27, and identify the damage in the "Mortgagee's comments" section;
- for damage other than Surchargeable Damage, mark "No" in Item 24, identifying the damage in the "Mortgagee's comments" section; and
- include amounts of hazard insurance recovery received in Line 118 or, if adjusting the amount based on a Part A estimate, in Line 119.

(4) Failure to Indicate Damage on the Claim Form

If the Property is conveyed damaged but is not identified as damaged on the form HUD-27011, HUD will make no further reimbursement until the MCM has evaluated the Mortgagee's responsibility for the damage.

HUD may reconvey the Property and/or may require a reduction to the claim for insurance benefits, for the greater of the hazard insurance recovery or HUD's estimate of the cost of repairing the damage.

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(B) Funds Held by the Mortgagee

(1) Standard

HUD deducts from the mortgage insurance benefits those funds that are retained by the Mortgagee.

(2) Required Documentation

The Mortgagee must report these held funds as follows:

- Unapplied Section 235 Assistance Payments - Item 123, Part B, Column A.
- Funds Held Pursuant to a Buydown Agreement - Item 109, Part B, Column A.
- Rental Income - Item 115, Part B, Column A.
- Hazard Insurance Recovery - Item 118, Part B, Column A, if not reported on Part A.
- Hazard Insurance Recovery - Item 27, Part A, and Item 119, Part B, column A if the entry in Part A is an estimate.
- All other funds - Identify the nature and the amount of the funds and enter in Item 109, Part B, Column A.

(C) Escrow Funds

(1) Funds Remaining In Escrow Account

(a) Standard

The Mortgagee must report on the claim form those funds remaining in the escrow account on the date the deed is filed for record.

(b) Required Documentation

The Mortgagee must enter amounts for funds remaining in the escrow account in Item 109, Part B as follows:

- The Mortgagee must include in Item 109 any funds received on the Mortgage that have not been applied to reduce the indebtedness, such as Partial Payments, hazard insurance refunds, buydown moneys, and funds held in escrow for on-site repairs.
- For payment of expenses for which funds are escrowed, the Mortgagee must charge those payments to the escrow account until the escrow account balance equals zero.
- The Mortgagee must not enter a negative balance in Item 109 and should not enter amounts for escrow advances in Items 305 or 311.

IV. Claims and Disposition

B. Claims

2. Claim Types

The Mortgagee must include in the “Mortgagee’s comments” section an explanation of the costs included in Item 109.

(2) Mortgagee Advances for Escrow Expenditures

(a) Standard

The Mortgagee may claim reimbursement advances for escrow expenditures. There must be no remaining funds in the escrow account.

The Mortgagee must calculate interest on advances from the date of disbursement to the date the claim is prepared. If there were any advances from escrow before the date of Default, the Mortgagee must calculate the interest from the date of Default.

(b) Required Documentation

The Mortgagee must enter any advances for escrow expenditures in Items 305 or 311, as appropriate. The Mortgagee must not charge these advances to Item 109.

When the first occurrence of an expense results in a negative balance to escrow, the Mortgagee must enter this amount in Item 305 or 311, whichever is appropriate.

(D) Property Preservation and Protection Costs

(1) Standard

HUD will reimburse Mortgagees up to the [Maximum Property Preservation Allowance](#) (see the Property Preservation Allowances section in the Servicing and Loss Mitigation section of the *SF Handbook*), or as permitted by HUD as approved over-allowables, for Property P&P actions so long as:

- the actions are performed before the date of conveyance, even if the Mortgagee renders payment after conveyance; and
- the actions are performed in accordance with HUD guidance.

See [Appendix 6.0](#) – Maximum Property Preservation Allowances (applies to Servicing only) in the *SF Handbook* for Maximum Property Preservation Allowances per specific action and per Property.

The Mortgagee may not request reimbursement for any costs related to obtaining bids for P&P actions.

IV. Claims and Disposition

B. Claims

2. Claim Types

(a) Photographs

The Mortgagee may request a flat fee reimbursement for photographs, regardless of the number of pictures required.

(b) Inspections

The Mortgagee may request reimbursement for costs for:

- up to 13 inspections per calendar year per Property, with one inspection performed for each 30-Day cycle in accordance with HUD guidance and with additional protective measures supported by [documentation](#) (see the Vacant Property Inspections – Required Documentation section of the Servicing and Loss Mitigation section in the *SF Handbook*);
- reimbursable eviction inspections;
- Pre-Conveyance Inspections that do not coincide with the regular inspection schedule; and
- additional inspections as otherwise required by HUD.

(c) Debris Removal

(i) Standard

HUD will reimburse the Mortgagee for debris removal amounts up to the maximum amount in the [P&P Cost schedule](#) (see Appendix 6.0 – Maximum Property Preservation Allowances (applies to Servicing only) in the *SF Handbook*) and up to amounts authorized by the MCM.

(ii) Required Documentation

The Mortgagee must retain in the Claim Review File:

- before and after photographs reflecting the debris removal and including the date and property address; and
- salvage and dumping fee receipts including the date, property address, number of yards dumped, and number and type of appliances disposed of.

(2) Required Documentation

The Mortgagee must retain in the Claim Review File documentation supporting all property preservation expenses claimed by the Mortgagee.

Where the Mortgagee was instructed by HUD to perform a specific service after the date of conveyance, the Mortgagee must include in the “Mortgagee’s comments” section of form HUD-27011 notation of the request and a list of expenses associated with completing the request.

IV. Claims and Disposition

B. Claims

2. Claim Types

(3) HUD Review of P&P Expenses

HUD's MCM will evaluate all claimed costs for P&P. HUD will require the Mortgagee to repay these costs if HUD determines that:

- amounts paid for reimbursement were unnecessary, excessive, or unsupported; or
- services claimed were not performed or were not performed in accordance with [HUD guidance](#) (see the Mortgagee Property Preservation and Protection Action section in the Servicing and Loss Mitigation section of the SF Handbook).

(E) Homeowners' Association/Condominium Assessments and Fees

(1) Standard

The Mortgagee may claim reimbursement for:

- Homeowners' Association (HOA)/Condominium Fees due and paid within 30 Days of the date of conveyance to HUD;
- penalties, interest, and/or late fees incurred by the former Borrower and paid by the Mortgagee; and
- the fees and assessments amounts listed below.

(a) Where HOA/Condominium Fees Survived Foreclosure

(i) Fees Not Included in Foreclosure

Where HOA/Condominium Fees were not included in the foreclosure proceedings and these fees survive foreclosure, the Mortgagee may claim reimbursement for the negotiated amount required to obtain a release of outstanding HOA/Condominium Fees.

HUD will only reimburse the Mortgagee for payment of assessments that were incurred from the foreclosure sale date to the date of conveyance.

(ii) Fees Were Included in Foreclosure and Property is in State where HOA/Condominium Liens Can Take Priority

When the Property is located in a state in which HOA/condominium liens can take priority over HUD's first lien and these fees were included in the foreclosure and survived foreclosure, the Mortgagee may claim reimbursement for the negotiated amount required to obtain a release of outstanding HOA/Condominium Fees.

HUD will only reimburse Mortgagees for HOA Fees up to the total value of the periodic HOA/Condominium Assessments due and paid from the date the Borrower defaulted on their HOA/Condominium Assessment to the date of conveyance.

IV. Claims and Disposition

B. Claims

2. Claim Types

(b) Where there is an HOA/Condominium Lien that Survives Foreclosure

When the Property is not located in a state in which HOA/Condominium Fees can take priority over HUD's first lien, the fees were included in the foreclosure, and there is a lien on the Property that survives foreclosure, the Mortgagee may claim reimbursement for the negotiated amount required to obtain a release of outstanding HOA/Condominium Fees.

HUD will only reimburse Mortgagees for HOA Fees up to the state law mandated amount.

(c) Where HOA/Condominium Fees do Not Survive Foreclosure or Create a Lien

Where HOA/Condominium Fees will not survive foreclosure or create a lien surviving foreclosure, the Mortgagee may claim reimbursement for the HOA/Condominium Assessment amounts required under applicable law.

(2) Required Documentation

After resolving HOA/Condominium Fee amounts, the Mortgagee must perform the following in P260:

- no later than 15 Days after conveyance, upload into P260 the paid HOA/condominium invoice and any documentation necessary to verify that the Mortgagee made such payments prior to conveyance; and
- document in P260 any common area requirements associated with gaining access to the Property.

The Mortgagee must also reflect the amounts on form HUD-27011 as follows:

- enter HOA/condominium amounts in Item 111 of Part B and Item 305 on Part D; and
- document the payment of all final bills and liens for HOA/Condominium Fees in the "Mortgagee's comments" section.

(F) Hazard Insurance Premiums

HUD will reimburse the Mortgagee for hazard insurance premiums sufficient to protect the Mortgagee's interest up until the date the deed to the Secretary is filed for record, so long as the hazard insurance premiums were paid in accordance with HUD guidance.

(1) Calculating the Hazard Insurance Premium Refund

If the amount of the actual premium refund is not known at the time Part B of form HUD-27011 is prepared, the Mortgagee must calculate an estimate on a "short rate" basis as follows:

IV. Claims and Disposition

B. Claims

2. Claim Types

- determine the number of Days the policy was in effect, from the effective date of the policy to the earlier of the cancellation date or the date the deed to the Secretary was filed for record (see the Julian Date Calendar in the [*Claim Filing Technical Guide*](#));
- use the Short Rate Method Table in the [*Claim Filing Technical Guide*](#) to determine the percentage of the premium utilized, and subtract this figure from 100 to determine the percentage of premium remaining; and
- multiply the percentage of premium remaining by the total premium to determine the estimated amount of the premium refund.

(a) Actual Hazard Insurance Premium Refund More than Estimated Refund

If the actual premium return is \$10 or more than the Mortgagee's estimated amount, the Mortgagee must file a supplemental remittance.

(b) Actual Hazard Insurance Premium Less than Estimated Refund

If the actual premium return is less than the Mortgagee's estimated refund, the Mortgagee may request a refund by:

- filing a supplemental claim form; and
- providing a copy of the insurance carrier's statement of the return premium.

(2) Required Documentation

The Mortgagee must include the refund amount or estimated refund amount in Item 109, Part B.

(3) Claims without Estimated Housing Insurance Premium Refunds or Where No Refund was Received

The Mortgagee may submit a Part B claim without an estimated hazard insurance premium refund or a supplemental claim, if a hazard insurance refund was requested but not received, and the Mortgagee can provide documentation to HUD demonstrating:

- that the insurer remitted the refund to the Borrower; or
- that the insurer has a policy of not remitting funds to the Mortgagee in that jurisdiction.

(G) Utility Bills

The Mortgagee may request reimbursement for final utility bills by itemizing them in Item 305 of Part D of form HUD-27011.

IV. Claims and Disposition

B. Claims

2. Claim Types

(H) Eviction and Other Possessory Action Costs

(1) Definition

Eviction and Other Possessory Action Costs are those costs associated with gaining possession of an occupied Property.

(2) Standard

The Mortgagee may request full reimbursement of eviction and other possessory action costs that are:

- required by state and local law in jurisdictions where the Mortgagee is required to bring a separate possessory action in addition to foreclosure; and
- reasonable and customary for that jurisdiction and actually necessary to accomplish the eviction or other possessory action.

Where debris removal is required by state and local law as part of the eviction or possessory action, the Mortgagee may claim these costs as eviction costs.

HUD will not reimburse the Mortgagee for the following fees and costs:

- fees and costs in excess of reasonable and customary fees and costs and lacking documentation supporting the amount claimed;
- fees and costs unnecessary for protection, acquisition, or conveyance of Property, such as courier services, document retrieval, express mail, or property inspection by attorneys;
- Mortgagee's overhead items such as postage, telephone, duplication, or collection services; or
- compensation paid to an attorney or trustee who is a salaried employee of the Mortgagee.

(3) Required Documentation

The Mortgagee may include costs for evictions and possessory actions in Line 111 of form HUD-27011.

The Mortgagee must include in the Claim Review File documentation supporting any claimed costs associated with compliance with state and local law.

(I) Tax Bills

(1) Standard

The Mortgagee may request reimbursement for all tax bills paid.

The Mortgagee may not request reimbursement for late fees and/or interest penalties charged by the taxing jurisdiction for late payment of taxes.

IV. Claims and Disposition

B. Claims

2. Claim Types

(2) Required Documentation

The Mortgagee must:

- upload into P260 any documentation, such as a paid receipt or a copy of the Mortgagee's tax payment history screen, that is necessary to validate that such payment was made;
- certify in the claim form that all tax bills due within 30 Days of conveyance are paid as of the date of conveyance;
- document payment of tax bills in Item 32, "Schedule of Tax Information," of Part A of form HUD-27011; and
- retain invoices and paid bill receipts in the Claim Review File.

(J) Deed-in-Lieu Borrower Consideration

To claim the [DIL Borrower Consideration](#) (see the DIL Borrower Consideration section of the Servicing and Loss Mitigation section of the *SF Handbook*) after successful use of DIL in accordance with HUD policies, the Mortgagee must enter it in Item 305 as an Acquisition Cost.

(K) Attorney's Fees

(1) Standard

(a) Up to Maximum Fee in HUD's Schedule

The Mortgagee may claim reimbursement for up to the amounts shown on [HUD's schedule of attorney fees](#) (see Appendix 4.0 – HUD Schedule of Standard Attorney Fees (applies to Servicing only) in the *SF Handbook*), even if the actual costs of the legal services exceed those in the schedule, so long as the fees reasonably relate to the amount of work performed.

(b) For Amounts Exceeding the Maximum Fee in HUD's Schedule

For additional expenses incurred due to required legal actions such as mediation or probate proceedings, the Mortgagee may claim reimbursement for these costs by:

- providing a documented cost breakdown and written justification with the claim submission and retaining a copy in the Claim Review File; and
- filing a supplemental claim for amounts above the maximum fee.

(c) Fees Relating to Bankruptcy

The Mortgagee may claim reimbursement for attorney's fees as follows:

- up to the fee set in HUD's schedule for costs actually incurred for each bankruptcy; or

IV. Claims and Disposition

B. Claims

2. Claim Types

- reasonable and customary attorney's fees incurred when the bankruptcy was not routine.

Mortgagees may not claim additional attorney's fees for defending against court-ordered involuntary principal reductions (or "cramdowns") as part of a bankruptcy.

(2) Required Documentation

The Mortgagee may claim reimbursement for attorney's fees by entering into Part D of the initial filing of form HUD-27011 the following information:

- Item 305, "Disbursements for HIP, taxes, ground rents and water rates (which were liens prior to mortgage), eviction costs and other disbursements not shown elsewhere,": Enter up to the maximum fee set forth in [HUD's Schedule](#) (see Appendix 4.0 – HUD Schedule of Standard Attorney Fees (applies to Servicing only) in the *SF Handbook*) for possessory actions.
- Item 306, "Attorney/Trustee Fees": Enter the amount of attorney or trustee fees actually incurred. The Mortgagee must itemize the elements of the fee if the fees exceed the amount that is [HUD approved for the area](#) (see Appendix 4.0 – HUD Schedule of Standard Attorney Fees (applies to Servicing only) in the *SF Handbook*).
- Item 307, "Foreclosure and/or acquisition, conveyance and other costs": Itemize any other legal costs paid by the Mortgagee, not including disbursements shown in Item 306. Mortgagees must not enter attorney's fees in Item 307.
- Item 310, "Bankruptcy": Enter an amount up to the maximum fee set forth in HUD's Schedule for costs actually incurred for each bankruptcy and reasonable and customary attorney's fees incurred when the bankruptcy was not routine.

(L) Foreclosure and Acquisition Costs

(1) Definition

Foreclosure and Acquisition Costs are those costs associated with the Mortgagee's foreclosure of and acquiring good marketable title to the Property.

(2) Standard

The Mortgagee may request reimbursement for fees and costs that are:

- necessarily incurred in foreclosure proceedings; and
- reasonable and customary in the area.

HUD will reimburse Mortgagees' foreclosure costs as follows:

- for non-Tier-1 Mortgagees, two-thirds of foreclosure costs; and

IV. Claims and Disposition

B. Claims

2. Claim Types

- for Tier 1 Mortgagees, 75 percent of foreclosure costs for Part B claims received by HUD on or after January of the next calendar year, for Mortgages endorsed on or after February 1, 1998.

HUD will not reimburse the Mortgagee for the following fees and costs:

- fees and costs in excess of reasonable and customary fees and costs and lacking documentation supporting the amount claimed;
- fees and costs unnecessary for the protection, acquisition, or conveyance of Property, such as courier services, document retrieval, express mail, or property inspection by attorneys;
- Mortgagee's overhead items such as postage, telephone, duplication, or collection services;
- compensation paid to an attorney or trustee who is a salaried employee of the Mortgagee; or
- extra costs incurred in foreclosures that result from defects in the mortgage transaction or foreclosure or defects in the title existing at or before the time the Mortgage was filed for record. HUD may reimburse these costs if the Mortgage was sold by the Secretary or was executed in connection with the sale of a Property by the Secretary after August 1, 1969.

(3) Required Documentation

The Mortgagee must reflect total foreclosure costs in Items 306, 307, and 310 of form HUD-27011. HUD will then calculate either the two-thirds or 75 percent allowance, as appropriate, for both expenses and interest.

(M) Bankruptcy

HUD will reimburse fees related to bankruptcy as based on the Mortgagee's Tier Ranking.

If there are multiple bankruptcies for a Mortgage in Default, the Mortgagee may request reimbursement for the fees and costs related to each filing.

(1) Extension for Initiation of Foreclosure

(a) Standard

If the Mortgagee is unable to initiate foreclosure due to the Borrower's filing of bankruptcy, the Mortgagee may reflect the use of the 90-Day extension to initiate foreclosure by entering in form HUD-27011:

- the date of the filing of the bankruptcy petition in Item 40;
- the release date of the bankruptcy stay in Item 21;
- a date 90 Days after the release date of the bankruptcy stay, including any applicable extensions, in Item 19; and

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B. Claims

2. Claim Types

- the date the foreclosure action was initiated or reinitiated, if cancelled due to the bankruptcy, in Item 11.

The Mortgagee must not enter an extension date in Item 19 if:

- the Mortgagee fails to initiate foreclosure within 60 Days of the release of the bankruptcy stay; or
- the time limit to initiate foreclosure expires before the bankruptcy petition was filed.

(b) Required Documentation

The Mortgagee must retain in the Claim Review File:

- dated copies of the court's release from the bankruptcy stay;
- copies of any demand letters or notices required by applicable state law; and
- any approvals for extensions received by HUD.

(2) Extensions for Foreclosure Completion

If the Mortgagee is unable to timely complete the foreclosure due to the filing of a bankruptcy petition, the Mortgagee must:

- note the cause of the delay in the "Mortgagee's comments" section of Part A; and
- retain supporting documentation in the Claim Review File.

(N) Rental of the Property

(1) Standard

HUD will not reimburse the Mortgagee for costs incurred solely in renting the Property prior to conveyance. If rental produces a net profit, HUD will reduce the amount of the claim by that profit.

(2) Required Documentation

If the Mortgagee rents the Property, the Mortgagee must include on form HUD-27011:

- any Rental Income on Item 115, Part B; and
- rental expenses, as an offset to Rental Income, on Item 116, Part B.

(O) Section 235 Assistance Payments

(1) Unapplied Payments

The Mortgagee must return unearned Section 235 assistance to HUD via the Section 235 billing process. The Mortgagee must apply earned payments to the

IV. Claims and Disposition

B. Claims

2. Claim Types

Borrower's account in full installments to advance the date of account and report Partial Payments in Item 123 of Part B.

(2) Overpaid Assistance

For funds that were advanced to repay overpaid Section 235 assistance to HUD and were not recovered from the Borrower, the Mortgagee must enter the unrecovered advance in Item 123, Column B, Part B.

(P) Deficiency Judgments

(1) Standard

When HUD required the deficiency judgment action or when HUD has approved the Mortgagee's request to pursue the Judgment, the Mortgagee may request full reimbursement of the following fees:

- cost of reasonable and customary attorney fees which relate only to the obtaining of the deficiency Judgment;
- additional filing or recording fees directly related to the deficiency Judgment; and
- if local law required a judicial foreclosure in order to obtain a deficiency Judgment, those costs directly related to the judicial foreclosure.

(2) Required Documentation

The Mortgagee must note costs related to deficiency Judgments in Item 410 of form HUD-27011.

iii. FHA Refinance of Borrowers in Negative Equity Positions

(A) Submission of Claim to HUD

For claims for Mortgages under the FHA Refinance of Borrowers in Negative Equity Positions, or FHA Short Refinance program, the Mortgagee may file a conveyance claim and request reimbursement for all allowable Part B expenses.

(B) Submission of Claim to the Department of Treasury

After HUD pays the unpaid principal balance on Part A of the conveyance claim, the Mortgagee must contact the Department of Treasury's Claims Processor at ctsclaimsprocessor@wellsfargo.com to register and submit claims for the Emergency Economic Stabilization Act (EESA) portion of the unpaid principal balance to be paid in part by the Department of Treasury. The Mortgagee may contact the Claims Processor for support at (240) 586-7700 or (866) 846-4526.

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B. Claims

2. Claim Types

iv. Submission of Claim Form Parts to HUD

(A) Submission of Part A

(1) To HUD

The Mortgagee must submit Part A to HUD headquarters via EDI, FHAC, or paper claim.

The Mortgagee must submit Part A no later than two business days after the date the deed to HUD is filed for record or mailed to the recording authority. For paper claims submitted via mail, HUD will consider the submission timely if HUD receives these documents within 10 Days from the date listed in Item 6.

(2) To P260

The Mortgagee must upload into P260:

- a copy of Part A;
- a copy of the deed to HUD filed for record;
- a copy of the Portfolio Screen from FHAC along with the Transmittal Sheet for EDI claims, if applicable;
- copies of the last tax bills paid to each taxing authority;
- a copy of HUD's letter approving damaged conveyance of the Property under 24 CFR 203.379(a), if applicable;
- the Mortgagee's certificate that the conditions of 24 CFR 203.379(b), relating to fire damage, have been met, if applicable; and
- a copy of documentation that will verify that appropriate action was taken to [protect and preserve the Property](#).

The Mortgagee must upload these documents no later than two business days after the date the deed to HUD is filed for record or mailed to the recording authority.

(B) Submission of Parts B, C, D, and E

(1) To HUD

The Mortgagee must submit Part B to HUD headquarters via EDI, FHAC, or paper claim. When submitting via paper claim, the Mortgagee must also submit Parts C, D, and E.

The Mortgagee must submit Parts B within the later of

- 45 Days after the deed was filed for record or mailed to the recording authority; or
- 15 Days after the date of Title Approval Letter.

The Mortgagee must retain Parts C, D, and E in the Claim Review File.

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B. Claims

2. Claim Types

(2) To P260

The Mortgagee must upload into P260:

- a copy of Part B; and
- the original Parts C, D, and E.

The Mortgagee must upload into P260 Parts B, C, D, and E within the later of:

- 45 Days after the deed was filed for record or mailed to the recording authority; or
- 15 Days after the date of Title Approval Letter.

b. Claim Type 02 - Assignment or Single Family Loan Sale Program

A Mortgagee participating in HUD's SFLS Program or assigning a Mortgage to HUD under the Indian Land or Hawaiian Home Lands programs may submit a claim under Claim Type 02.

i. Hawaiian Home Land Mortgages (Section 247 Mortgages) Claims

The Mortgagee may assign to HUD Mortgages in Default that are insured under Section 247 of the National Housing Act and file claims for mortgage insurance benefits.

(A) Computation of Interest

HUD will pay mortgage note interest accrued and unpaid at the time of assignment. HUD will pay debenture interest on the net claim amount, excluding mortgage note interest, from the date of assignment to the date of claim payment.

If the Mortgagee fails to meet HUD's time requirement to submit the claim, HUD will notify the Mortgagee of the date of curtailment to be entered in the form HUD-27011.

(B) Computation of Claims

The Mortgagee may claim up to 100 percent of the unpaid principal balance, plus allowable costs and debenture interest.

HUD will reimburse the Mortgagee for reasonable and customary costs associated with the assignment as follows.

(1) Allowable Costs

The Mortgagee may claim reimbursement for:

- fees paid to recorders of deeds or public trustees;
- costs required by law;
- property and preservation costs performed in accordance with [HUD guidance](#) (see the Property Maintenance section of the Servicing and Loss

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B. Claims

2. Claim Types

Mitigation section of the *SF Handbook*), before the date of assignment;
and

- other fees and costs necessarily incurred and are customary in the area.

(2) Disallowable Costs

The Mortgagee may not claim reimbursement for the following fees and costs:

- fees and costs in excess of reasonable and customary fees and costs and lacking documentation supporting the amount claimed;
- fees and costs unnecessary for the protection, acquisition, or conveyance of Property, such as courier services, document retrieval, express mail, or property inspection by attorneys;
- Mortgagee's overhead items such as postage, telephone, duplication, or collection services; and
- costs for title policies.

(C) Submission of Claim Form Parts to HUD

The Mortgagee may only file a claim after:

- the Mortgagee has notified the Department of Hawaiian Home Lands (DHHL) of the Borrower's Default by letter by the 90th Day of Delinquency;
- the Borrower's Default has remained uncured for 180 Days; and
- the Mortgagee has met all regulatory program requirements, including the face-to-face interview and required loss mitigation evaluation.

The Mortgagee must submit the claim via EDI, with Parts A and B submitted simultaneously, or via paper claim, with all Parts included. The Mortgagee must retain copies of all parts of the form HUD-27011 in the Claim Review File.

(D) Submission of Claim Form Parts as Part of Request for Title Approval

At the time the Mortgagee files its claim, the Mortgagee must send copies of the form HUD-27011 with its [title evidence package](#) (see the Hawaiian Home Land Mortgages (Section 247 Mortgages) product sheet in the Servicing and Loss Mitigation section of the *SF Handbook*) to:

Associate Regional Counsel - Hawaii
Office General Counsel
U.S. Department of HUD
611 W. Sixth Street, 13th Floor
Los Angeles, CA 90017

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B. Claims

2. Claim Types

ii. Insured Mortgages on Indian Land (Section 248 Mortgages) Claims

With HUD approval, the Mortgagee may assign to HUD Mortgages that are in Default and are insured under Section 248 of the National Housing Act and file claims for mortgage insurance benefits.

(A) Computation of Interest

HUD will pay mortgage note interest accrued and unpaid at the time of assignment. HUD will pay debenture interest on the net claim amount, excluding mortgage note interest, from the date of assignment to the date of claim payment, unless interest is curtailed.

(B) Computation of Claim

The Mortgagee may claim up to 100 percent of the unpaid principal balance, plus allowable costs and debenture interest.

HUD will reimburse the Mortgagee for reasonable and customary costs associated with the assignment as follows.

(1) Allowable Costs

The Mortgagee may claim reimbursement for:

- fees paid to recorders of deeds or public trustees;
- costs required by law;
- property and preservation costs performed in accordance with [HUD guidance](#) (see the Property Maintenance section of the Servicing and Loss Mitigation section in the *SF Handbook*), before the date of assignment; and
- other fees and costs necessarily incurred and are customary in the area.

(2) Disallowable Costs

The Mortgagee may not claim reimbursement for the following:

- fees and costs in excess of reasonable and customary fees and costs and lacking documentation supporting the amount claimed;
- fees and costs unnecessary for the protection, acquisition, or conveyance of Property, such as courier services, document retrieval, express mail, or property inspection by attorneys;
- Mortgagee's overhead items such as postage, telephone, duplication, or collection services; and
- costs for title policies.

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B. Claims

2. Claim Types

(C) Submission of Claim Form Parts

(1) Submission of Claim Form Parts to HUD

The Mortgagee must submit via EDI to HUD Parts A and B simultaneously. For paper claim submissions, the Mortgagee must submit Parts A, B, C, D, and E. The Mortgagee must retain copies of all parts of the form HUD-27011 in the Claim Review File.

(2) Submission of Claim Form Parts as Part of Request for Title Approval

At the time the Mortgagee files its claim, the Mortgagee must send to HUD's Loan Servicing Contractor:

- copies of Parts A and B;
- a copy of original Mortgage;
- a copy of original Note with endorsement;
- a copy of assignment to HUD;
- copies of all intervening assignments;
- the Mortgagee's original title policy evidencing the Mortgage's first lien position;
- a copy of Part D;
- a copy of the Title Submission Certificate;
- the original of all hazard insurance policies and a copy of the notice to the insurance carrier requesting that HUD be named beneficiary in the Mortgagee clause;
- a copy of the last tax bill paid;
- all payment records and, if capitalization method is used, a worksheet showing allocation of payments per mortgage terms;
- a copy of buydown agreement, if any, and all documents which relate to the payment amount or application of the payments;
- a copy of HUD's letter approving assignment of a damaged Property under 24 CFR 203.379(a), if applicable;
- the Mortgagee's certificate that the conditions of 24 CFR 203.379(a)(2), relating to fire damage, have been met, if applicable;
- a statement relating to title defects if 24 CFR 203.390 applies; and
- for Section 235 Mortgages, the following documentation, if not otherwise provided to HUD:
 - the last two recertifications of family income and composition;
 - employment verifications;
 - a Notice of Suspension, Termination and Reinstatement of Assistance Payments Contract, if applicable; and
 - if the case is subject to Section 235 recapture of assistance payments, the total dollar amount of assistance applied to the account through the date of assignment.

IV. Claims and Disposition

B. Claims

2. Claim Types

iii. Single Family Loan Sales Claims

The SFLS Program is a program through which participating Mortgagees may file assignment claims for insurance benefits.

SFLS claims are only authorized in connection with the execution of a PSA between HUD and the Mortgagee for an identified Distressed Asset Stabilization Program (DASP) sale, which is the sale through which HUD will dispose of the asset after payment of the claim. The SFLS claim is governed by the specific terms of the PSA for the specific DASP sale identified in the PSA.

(A) Claim Submission Process

The Mortgagee must follow the initial claim submission and claim submission report procedures set forth in the PSA. Upon the Mortgagee's compliance with these procedures, HUD will enter an SFLS Claim Identification Date in the claims processing system.

On the business day after the award of the pools of Mortgages, HUD will enter a list of awarded Mortgages (Award Report) in the claims processing system.

For Mortgages with an SFLS Claim Identification Date and that are included in the Award Report, the Mortgagee may submit assignment claims until the Claims Cut-off Date noted on Schedule I of the PSA. The Mortgagee may only submit assignment claims for eligible mortgage loans as defined in the PSA.

For Mortgages that are not awarded in the sale, the Mortgagee may submit insurance claims under Claims Without Conveyance of Title ([CWCOT](#)) procedures and as further described in the PSA.

(B) Submission of Claim Form Parts to HUD

(1) Submission of Part A

(a) To HUD

The Mortgagee must submit Part A to HUD headquarters via EDI.

(b) To P260

The Mortgagee must upload into P260:

- a copy of Part A;
- a copy of the Portfolio Screen from FHAC along with the Transmittal Sheet for EDI Claims, if applicable; and
- copies of the last tax bills paid to each taxing authority.

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B. Claims

2. Claim Types

(2) Submission of Parts B, C, D, and E

(a) To HUD

The Mortgagee must submit Part B to HUD headquarters via EDI.

The Mortgagee must retain all Parts of the claim form in the Claim Review File.

(b) To P260

The Mortgagee must upload into P260 Parts B, C, D, and E.

c. Claim Type 05 - Supplemental Claims/Remittances

The Mortgagee may submit a supplemental claim under Claim Type 05.

i. Definition

A Supplemental Claim is a claim readjusting the initial claim payment due to delayed disbursements or claim calculation or payment errors.

ii. Standard

The Mortgagee may submit one supplemental claim within six months of final settlement in the following circumstances:

- when a vendor delays submitting an invoice to the Mortgagee for an allowable expense;
- for amounts paid after the date the original claim was filed if the obligations were incurred before the deed or assignment to HUD was filed for record or was paid on HUD's written instruction;
- requests for reconsideration of disallowed costs; or
- additional attorney fees not paid on the original claim.

The Mortgagee may submit subsequent supplemental claims in the following circumstances:

- overpayments due to HUD;
- hazard insurance refund adjustments;
- deficiency Judgments;
- additional unpaid principal balance not paid on the original claim; or
- where the Mortgagee has received approval from the National Servicing Center (NSC) to file a subsequent supplemental.

IV. Claims and Disposition

B. Claims

2. Claim Types

iii. Overpayments and Funds due HUD

(A) Definition

An Overpayment is HUD's payment of a claim in an inaccurate amount that results in money owed by the Mortgagee to HUD.

(B) Claim Involves Overpayment

If the claim involves an overpayment, the Mortgagee must explain how the overpayment occurred in the "Mortgagee's comments" section on Part A of the supplemental claim form.

(C) Claim Involves a Computation of Interest

If the amount overpaid or received involved a computation of interest, the Mortgagee must include in the reimbursement to HUD:

- interest calculated by the Mortgagee and included in Part B; and
- interest calculated by HUD for the period from the date of claim to the date of payment.

(D) Remittance of Amounts Due

The Mortgagee must remit amounts due via pay.gov using the Claim Remittance functions in [FHAC](#).

iv. Hazard Insurance Refund Adjustment

(A) Standard

The Mortgagee may submit a supplemental claim for a hazard insurance refund adjustment when it has met all of the following conditions:

- hazard insurance costs were included in the initial submission of form HUD-27011, Part B; and
- the Mortgagee has documented in its Claim Review File its efforts in diligently following up with the hazard insurance carrier to confirm any necessary adjustment.

When the Mortgagee becomes aware of a hazard insurance refund within six months of final settlement, the Mortgagee must file its supplemental claim within six months of the final settlement; otherwise, the Mortgagee may submit its supplemental claim within one year from the date of final settlement.

(B) Claim Form Preparation

When completing and submitting the supplemental claim, the Mortgagee must:

IV. Claims and Disposition

B. Claims

2. Claim Types

- include a copy of the carrier's notification in its Mortgagee's supplemental claim; and
- clearly indicate in the "Mortgagee's comments" section that the supplemental claim is being filed to recover an adjustment to the hazard insurance premium refund.

v. Deficiency Judgments

The Mortgagee may submit one supplemental claim for the additional costs related to the pursuit of the deficiency Judgment when all such known costs were included in the initial submission of Part B of form HUD-27011, or, to the extent possible, are claimed within six months from the date of final settlement of the initial Part B.

vi. Attorney Fees

The Mortgagee may submit a supplemental claim for attorney fees if it believes that it is entitled to an amount more than was actually reimbursed in the initial claim payment.

The supplemental claim must include:

- a supplemental claim form HUD-27011, with an explanation of the need for the increased fee in "Mortgagee's comments;"
- a copy of all Parts submitted in the original claim filing;
- a copy of the final Advice of Payment letter; and
- copies of the attorney chronology and any documentation necessary to support the additional claimed amount.

The Mortgagee must retain in the Claim Review File adequate documentation supporting all attorney fees. Should HUD determine in a post-claim review that the claim for attorney fees is greater than allowed amounts or is unsupported by documentation, HUD will bill the Mortgagee for overpayment as:

- an amount statistically calculated for all claims within the review period; or
- the actual amount of the overpayment, if the review was not based on a statistical sample.

vii. Claims for Additional Funds

The Mortgagee may submit one supplemental claim for additional funds within six months of the date of final settlement. The Mortgagee may only file a supplemental claim before receipt of the original Part B payment when Part A was overpaid.

(A) Supplemental Claims for Correction of Dates in Part A

When the claim for additional funds is based on a corrected date on the Part A claim, the Mortgagee must include:

- the form HUD-27011 reflecting the corrected date(s);
- the reason for the supplemental claim in the "Mortgagee's comments" section;

IV. Claims and Disposition

B. Claims

2. Claim Types

- the certification on the accuracy and validity of all other dates; and
- all supporting documentation.

(1) Certification

When the claim for additional funds is based on a corrected date on the Part A claim, the Mortgagee must provide with this supplemental claim a certification as to the accuracy and validity of all other dates on the Part A claim which affect time requirements and the payment of interest on the claim. This certification must include:

- a statement that all such dates have been rechecked against the claim filing instructions in this *SF Handbook*; and
- a statement describing the document referenced by the Mortgagee for each of these dates.

(2) Required Supporting Documentation

The Mortgagee must provide the following supporting documentation for corrected claims:

- Item 8, “Due date last complete installment paid”: Include Mortgage Payment history record.
- Item 9, “Date of possession and acquisition of marketable title”: Include legal documentation such as sheriff’s deed recorded DIL, proof of eviction date, inspection report.
- Item 10, “Date deed or assignment filed for record or date of closing or appraisal”: Include recorded deed or assignment; Settlement Statement or similar legal document; appraisal report and/or invoice reflecting correct date of the appraisal.
- Item 11, “Date foreclosure proceedings (a) Instituted or (b) Date of deed in lieu”: Include documentation of first legal action taken to institute foreclosure, such as the complaint, or publication of notice of sale, or the recorded DIL.
- Item 17, “Unpaid loan balance as of date in block 8”: Include copies of the mortgage Note and payment history record.
- Item 19, “Expiration date of extension to foreclose/assign”: Include the printout from Extensions and Variances Automated Requests System (EVARS) of HUD’s approval (form HUD-50012) of the extension.
- Item 20, “Date of notice/extension to convey”: Include the printout of the MCM’s approval (form HUD-50012) from P260.
- Item 21, “Date of release of bankruptcy, if applicable”: Include a copy of the bankruptcy release notice or release of stay.
- Item 31, “Mortgagee reported curtailment date”: Include applicable documentation to support curtailment correction.

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B. Claims

2. Claim Types

- “Disbursements for Protection and Preservation”: Include the form HUD-27011 Part C filed with the original claim submission, with supporting documentation for all P&P expenses.
- Disbursements (taxes, HIP, possessory action costs), foreclosure costs, attorney fees, bankruptcy costs, all other disbursements: Include paid receipts or invoices. If cost incurred after the date the deed or assignment was filed for recording, include a printout of the MCM’s approval from P260 to pay costs.
- Taxes paid after date of deed to HUD: If taxes were paid after the date the deed or assignment was filed for recording, include a printout of the MCM’s approval from P260 for payment before filing supplemental claim.

viii. Claims for Additional Funds when Subject to Administrative Offsets

The Mortgagee must not claim additional funds when HUD is [offsetting](#) amounts.

ix. Submission of Supplemental Claim Form Parts to HUD

(A) To HUD

The Mortgagee must send to HUD:

- the original Part A and Part B of the supplemental claim;
- copies of Parts C, D, and E of the supplemental claim, if applicable;
- supporting documents; and
- copies of all Parts of the original claim.

For supplemental claims relating to SFLS claims, the Mortgagee must send the claim to:

U.S. Department of Housing and Urban Development
Asset Sales Office
451 7th Street, SW Room 3136
Washington, DC 20410
Attn: SFLS 2014-2 Part 2 Supplemental Claims

For all other supplemental claims, the Mortgagee must send the claims to the following addresses:

Overnight Mail:

Department of Housing and Urban Development
FHA Single Family Claims Branch
ATTN: SUPPLEMENTAL CLAIMS
451 7th Street, SW, Room 6246
Washington, DC 20410-3000

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B. Claims

2. Claim Types

Regular Mail:

Department of Housing and Urban Development
Office of Financial Services
Single Family Claims Branch
ATTN: SUPPLEMENTAL CLAIMS
P.O. Box 23297
Washington, DC 20026-3297

(B) To P260

The Mortgagee must upload to P260:

- copies of Parts A and B of the supplemental claim; and
- the original Parts C, D, and E, of the supplemental claim, if applicable.

(C) Timeframe for Submission of Supplemental Claims

For supplemental claims involving overpayments identified by the Mortgagee, including its own QC reviews, the Mortgagee may submit a remittance of overpayments and funds received by the Mortgagee at any time.

For supplemental claims involving recouping additional unpaid principal balance not reimbursed on the original Part A claim, the Mortgagee may submit a claim at any time.

For all other supplemental claims, the Mortgagee must submit supplemental claims no later than six months after the date of final payment, except where noted below.

(1) Timeframe for Submission of Hazard Insurance Refund Adjustment

The Mortgagee may submit a supplemental claim for a hazard insurance refund adjustment under any of the following conditions:

- within six months from the date of final settlement of the original Part B claim; or
- if the Mortgagee received the insurance carrier's notification more than six months from the date of final payment, the Mortgagee must submit the supplemental claim within 24 Days from the date of the insurance carrier's notification and must document in its Claim Review File its efforts in diligently following up with the hazard insurance carrier to confirm any necessary adjustment. HUD will not accept the supplemental claim for a hazard insurance refund adjustment more than one year from the date of final settlement.

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B. Claims

2. Claim Types

(2) Timeframe for Submission of Deficiency Judgments Costs

When HUD has required the Mortgagee to pursue a deficiency Judgment, the Mortgagee must submit one supplemental claim for the additional costs related to the deficiency Judgment within the latter of:

- one year from the date of final settlement of the initial Part B; or
- three months after the deficiency Judgment.

(3) Extension to Timeframe for Submission

If more than one year is needed to request reimbursement for related Housing Initiative Partnership (HIP) adjustments or deficiency Judgments, the Mortgagee must request an extension from the MCM. When using an extension based on deficiency Judgments or HIP adjustments, the Mortgagee may not include in its supplemental claim other types of costs they may have failed to include in the earlier claim.

The Mortgagee must include with its supplemental claim a printout of the MCM's approval (form HUD-50012) via P260.

(4) HUD Requests for Corrections or Additional Information

When requested by HUD, the Mortgagee must correct or provide additional information for its claim within 45 Days of the date of HUD's letter. The Mortgagee must include with the supplemental claim a copy of HUD's letter requesting corrections or additional information.

x. Variance Requests for Additional Supplemental Claim Submissions

The Mortgagee generally may only submit one supplemental claim. When circumstances outside of the Mortgagee's control require the submission of additional supplemental claims, the Mortgagee must submit a request to the MCM via P260 as follows:

- mark "Other" in Block 8; and
- include justification and documentation showing and supporting the reason for the additional supplemental claim.

If the Mortgagee receives approval to submit an additional supplemental claim, the Mortgagee must:

- submit a printout of the MCM's approval from P260 with its supplemental claim;
- enter approval information in the "Mortgagee's comments" section in Part A of form HUD-27011; and
- maintain a copy of the MCM's approval and supporting documentation in the Claim Review File.

IV. Claims and Disposition

B. Claims

2. Claim Types

xi. Appeals of Supplemental Claim Disposition

The Mortgagee may submit an appeal of a denied supplemental claim within 60 Days from the date the supplemental was denied to:

Department of Housing and Urban Development
Attn: Chief, Single Family Claims Branch
451 7th Street, SW, Room 6248
Washington, DC 20410

The Mortgagee must submit the request in writing and attach a copy of the supplemental claim with the supporting documents.

d. Claim Type 06 - Claims Without Conveyance of Title

The Mortgagee may file a [CWCOT](#) (see the Claims Without Conveyance of Title section of the Servicing and Loss Mitigation section in the *SF Handbook*) under Claim Type 06.

i. CWCOT Processing Fee Exemption for Small Servicers

(A) Standard

HUD will reimburse the manual claim processing fee for Mortgagees who:

- meet the definition of a small servicer under 12 CFR 1026.41;
- do not have EDI capability; and
- elect to bid the Commissioner's Adjusted Fair Market Value (CAFMV) at the foreclosure sale under CWCOT guidelines.

(B) Required Documentation

The Mortgagee meeting the small servicer exemption standards above must add the manual processing fee of \$200 in Item 305 of Part D of form HUD-27011.

ii. Computation of Interest

(A) Debenture Interest

Provided that the Mortgagee has met all time requirements, HUD will pay debenture interest on the unpaid principal balance from the date of Default to either:

- the date the Mortgagee or third-party bidder obtains title; or
- the date the Borrower redeems the Property.

HUD will then pay debenture interest on the difference between the unpaid principal balance and the greater of either the CAFMV, redemption amount, or the third-party bid, to the date of final payment of the claim.

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B. Claims

2. Claim Types

(B) Calculating Interest for an Expenditure using Daily Interest Rate Factors

HUD will pay debenture interest on expenses from the date of expenditure to the date of final payment of the claim, as calculated using the method in [Calculating Interest for an Expenditure using Daily Interest Rate Factors](#).

(C) Calculating Interest for Default after SFB-Unemployment

When the Mortgagee files a claim for insurance benefits after a Default under an SFB-Unemployment Agreement, HUD will pay mortgage note interest as calculated under the procedures in [Calculating Interest for Default after SFB-Unemployment](#).

(D) Curtailment of Interest

The Mortgagee must self-curtail interest on Single Family claims for the following failures to meet HUD requirements as of the date on which the required action should have been taken:

- [failure to timely initiate foreclosure](#);
- [failure to give HUD notice of foreclosure](#);
- [failure to meet Reasonable Diligence Timeframes](#); and
- failure to file the claim within 30 Days of:
 - the date the Mortgagee acquired good marketable title;
 - the date a third party acquired good marketable title;
 - the date the Borrower or other party redeemed the Property;
 - the date the redemption period expires; or
 - such other date as required by the FHA Commissioner.

If more than one time requirement is missed and there are no applicable extensions, the Mortgagee must calculate the interest for the claim payment to the earliest missed time requirement.

iii. Computation of Claim Amount

(A) Standard

The Mortgagee may claim 100 percent of the unpaid principal balance, plus allowable costs and debenture interest. HUD will deduct from the claim amount the sale bid or redemption price.

(B) Eviction and P&P Costs when Property is Sold to a Third Party

When a third party is the successful bidder at the foreclosure sale, the Mortgagee may not claim reimbursement for costs relating to eviction or Property P&P after the sale. The Mortgagee may request reimbursement for those costs incurred or for work completed before the foreclosure sale but not paid until after the sale.

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B. Claims

2. Claim Types

(C) Hazard Insurance Premiums

HUD will not reimburse the Mortgagee for any hazard insurance premiums allocated to the period after acquisition of title by the Mortgagee or a third party.

(D) Deficiency Judgments

When HUD required the deficiency judgment action or when HUD has approved the Mortgagee's request to pursue the Judgment in relation to a CWCOT, the Mortgagee may request full reimbursement of [certain fees](#).

iv. Submission of Claim Form Parts to HUD

The Mortgagee must submit Parts A and B simultaneously no later than 30 Days after:

- the date the Mortgagee acquired good marketable title;
- the date a third party acquired good marketable title;
- the date the Borrower or other party redeemed the Property;
- the date the redemption period expires; or
- such other date as required by the FHA Commissioner.

If filing via EDI or FHAC, the Mortgagee must submit Parts A and B no later than two Days after the date the form was prepared.

The Mortgagee must also upload into P260:

- all Parts of form HUD-27011;
- the Settlement Statement or similar legal document for post-foreclosure sales;
- the appraisal;
- appraisal invoices;
- a worksheet reflecting the Mortgagee's application of the CAFMV based on the adjustment provided in the instructions on FHAC; and
- a third-party service fee invoice for auction services; if applicable.

e. Claim Type 07 - Pre-Foreclosure Sales

The Mortgagee may file a claim for a [PFS](#) (see the Home Disposition Options – Pre-Foreclosure Sales section of the Servicing and Loss Mitigation section in the *SF Handbook*) incentive and insurance benefits under Claim Type 07.

i. Computation of Interest

(A) Standard

HUD will pay debenture interest as follows:

- on the unpaid principal balance from the date of Default to the date of the closing of the PFS;

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B. Claims

2. Claim Types

- on the difference between the unpaid principal balance, plus allowable costs and advances, and the net PFS proceeds from the date of the closing of the PFS to the date of claim settlement;
- on allowable costs and advances from the date of expenditure to the date of the closing of the PFS; and
- when a Default under an [SFB-Unemployment Agreement](#) is involved, from the last date of the mortgage interest calculation to the date of the closing of the PFS.

(B) Calculating Interest for an Expenditure

The Mortgagee must calculate the amount of interest to be claimed for an expenditure as follows:

- multiply the [Daily Interest Rate Factor](#) by the amount paid; then
- multiply this result by the number of Days from the date paid (or Default date, if later) for each Item to the date of closing of the PFS, as listed in Item 10.

ii. Computation of Claim Amount

(A) Allowable Costs

HUD will reimburse the Mortgagee for reasonable and customary costs as follows.

(1) Mortgagee Advances for Escrow Funds

The Mortgagee may claim reimbursement for advances of escrow funds as provided for in [Escrow Funds](#).

(2) Property Preservation and Protection Costs

The Mortgagee may claim reimbursement for the cost of inspections and P&P actions performed in accordance with [HUD guidance](#) (see the Property Maintenance section of the Servicing and Loss Mitigation section in the *SF Handbook*), before the Closing Date of the PFS.

(3) Taxes, Assessments, Hazard Insurance, and other Allowable Items

The Mortgagee may claim reimbursement for disbursements for taxes, assessments, hazard insurance and other allowable items payable which were not satisfied at closing. HUD will only reimburse property-related costs which were incurred before the PFS Closing Date.

(4) Attorney's Fees for Postponed Foreclosure

The Mortgagee may claim reimbursement for the allowable percentage of legal fees for foreclosure that was postponed pending completion of the PFS.

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B. Claims

2. Claim Types

(5) Satisfaction of Junior Liens

The Mortgagee may claim reimbursement for the amounts paid to satisfy or release junior liens Paid Outside Closing (POC), as long as these amounts are not included in the Settlement Statement or similar legal document.

(6) Appraisal and Title Search

The Mortgagee may claim reimbursement for reasonable and customary costs of the appraisal and title search, if not included in the Settlement Statement or similar legal document.

(7) Borrower Consideration

The Mortgagee may claim reimbursement for the amount of the PFS [Borrower Consideration](#) (see the Owner-Occupant Borrower Compensation section of the Servicing and Loss Mitigation section in the *SF Handbook*), as an Acquisition Cost.

(8) PFS Incentive Payment

HUD will pay the Mortgagee a financial incentive for the use of the [PFS Option](#) (see the PFS Incentive section of the Servicing and Loss Mitigation section in the *SF Handbook*), in compliance with all regulatory requirements and procedures relating to the submission of incentive claims in FHAC.

(B) Disallowable Costs

HUD will not reimburse the Mortgagee for the following costs.

(1) Items Already Included on Settlement Statement

The Mortgagee may not claim reimbursement for costs that have already been included on the Settlement Statement or similar legal document.

(2) Eviction Costs

The Mortgagee may not claim reimbursement for any costs incurred to evict residents from the mortgaged Property.

(3) Property Preservation and Protection Costs Incurred After Closing

The Mortgagee may not claim reimbursement for Property P&P costs incurred after the date of closing of the PFS.

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B. Claims

2. Claim Types

(4) Hazard Insurance Premiums Paid after Closing

The Mortgagee may not claim reimbursement for hazard insurance premiums for the period after the PFS closing.

(C) Deductions from Claim Amount

HUD will deduct the following items from the total claim amount.

(1) Money Received After Closing

HUD will deduct all amounts received by the Mortgagee on the Mortgage after closing of the PFS.

(2) Rent or Other Income

HUD will deduct from the claim any amount by which Rental Income exceeds rental expenses.

(3) Money Retained by Mortgagee

HUD will deduct from the claim any [amounts retained](#) by the Mortgagee for the Borrower's account which have not been applied to reduction of principal.

(4) Sales Proceeds

HUD will deduct from the claim amount all amounts received by the Mortgagee relating to the sale of the Property.

iii. Extensions to the Time Requirement to Initiate Foreclosure

To reflect the use of HUD's automatic extension to the [time requirement to initiate foreclosure](#) (see the Timeframe for Utilization of Loss Mitigation or Initiation of Foreclosure section of the Servicing and Loss Mitigation section in the *SF Handbook*) in order to utilize a PFS, the Mortgagee must enter into form HUD-27011:

- the ending date of the terminated or failed PFS transaction in Item 21 of Part A; and
- in Item 19, a date that is no more than 90 Days after the date listed in Item 21.

iv. Submission of Claim Form Parts to HUD

The Mortgagee must submit Parts A and B simultaneously to HUD no later than 30 Days after the PFS Closing Date.

The Mortgagee must retain Parts C, D, and E in the Claim Review File.

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B. Claims

2. Claim Types

v. Extension of Time to Submit PFS Claim

If the Mortgagee has not received sales proceeds from the closing within 30 Days after the PFS settlement, the Mortgagee must request an extension from the MCM before filing a claim and, if approved, note the expiration date of the extension in Item 20 of Part A of form HUD-27011.

f. Claim Type 31 - Special Forbearance

The Mortgagee may file a claim for an [SFB-Unemployment](#) (see the Home Retention Options – Special Forbearance – Unemployment section of the Servicing and Loss Mitigation section in the *SF Handbook*) incentive under Claim Type 31. HUD will pay the Mortgagee a financial incentive for the use of an SFB-Unemployment Option in compliance with all regulatory requirements and procedures relating to the submission of incentive claims in FHAC.

The Mortgagee must submit Parts A and B to HUD via FHAC within 60 Days of the execution date of the SFB-Unemployment Agreement.

g. Claim Type 32 - Loan Modification

The Mortgagee may file a claim for a [Loan Modification](#) (see the Home Retention Options – Loan Modification section of the Servicing and Loss Mitigation section in the *SF Handbook*) or [FHA-HAMP Loan Modification](#) (see the Home Retention Options – FHA-HAMP section of the Servicing and Loss Mitigation section in the *SF Handbook*) incentive and insurance benefits under Claim Type 32. HUD will pay the Mortgagee a financial incentive for the use of a Loan Modification or FHA-HAMP Loan Modification in compliance with all regulatory requirements and procedures relating to the submission of incentive claims in FHAC.

The Mortgagee may only file for an incentive fee for the Loss Mitigation Option used to cure the Default.

The Mortgagee must submit Parts A and B to HUD via FHAC within 60 Days of the execution date of:

- the Loan Modification agreement, after the Borrower's successful completion of their Trial Payment Plan; or
- the FHA-HAMP Loan Modification agreement, after the Borrower's successful completion of their Trial Payment Plan.

When the FHA-HAMP Partial Claim and FHA-HAMP Loan Modification are used together, the Mortgagee must submit two separate claims for the incentives for these two options.

h. Claim Type 33 - Partial Claim

The Mortgagee may file a claim for an [FHA-HAMP Partial Claim](#) (see the Home Retention Options – FHA-HAMP section of the Servicing and Loss Mitigation section in the *SF Handbook*) incentive and insurance benefits under Claim Type 33. HUD will pay the

IV. Claims and Disposition

B. Claims

2. Payment of Claims

1 Mortgagee a financial incentive for the use of an FHA-HAMP Partial Claim in compliance
2 with all regulatory requirements and the procedures relating the submission of incentive
3 claims in FHAC.

4 The Mortgagee may only file for an incentive fee for the Loss Mitigation Option used to cure
5 the default.

6 The Mortgagee must submit Parts A and B to HUD via FHAC within 60 Days of the
7 execution date of the execution date of the Promissory Note and Mortgage.

8 When the FHA-HAMP Partial Claim and FHA-HAMP Loan Modification are used together,
9 the Mortgagee must submit two separate claims for the incentives for these two options.

3. Payment of Claims

a. Processing of Claim Forms

12 HUD will generate payment to the Mortgagee if:

- 13 • the Mortgagee's submission of Parts A and B pass all system edits and control
- 14 checks; and
- 15 • the Mortgagee provides all required documentation or makes all necessary updates to
- 16 the suspended claim.

17 HUD may reduce the claim payment if the claim lists unusually high disbursements that are
18 not supported by documentation. HUD may require reimbursement of any amounts that are
19 found to be excessive or not supported by appropriate documentation.

i. Initial Payment

(A) Definition

22 The initial claim payment is the disbursement to the Mortgagee of funds relating to
23 Part A of form HUD-27011.

(B) Standard

25 HUD will pay unpaid principal balance plus debenture interest upon receipt and
26 processing of Part A and required attachments.

27 Before debenture interest is calculated, HUD will reduce the unpaid principal balance
28 by the greater of any damage or insurance recovery reported in Item 27. HUD's
29 claims system will determine the amount of debenture interest.

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B. Claims

2. Withdrawal or Cancellation of Insurance Claims

ii. Final Payment

(A) Definition

The final claim payment is the disbursement to the Mortgagee of funds relating to Parts B through E of HUD-27011.

(B) Standard

HUD will pay the Mortgagee's expenses, allowances, and debenture interest upon receipt and processing of Part B and required attachments.

b. Method of Payment

HUD makes all claim disbursements through the U.S. Treasury Electronic Funds Transfer (EFT) wire transfer application to the holder of the Mortgage, as listed on Item 12 of form HUD-27011.

c. Disbursement of Claim

For Claim Type 31 only, HUD will disburse the incentive payment to the servicer. For all other Claim Types, HUD will not honor requests for claim payments to be disbursed to any entity other than the holder of the Mortgage.

d. Negative Claim Amount

If the Net Claim Amount in Part B (Item 137) of the original conveyance claim is a negative amount, HUD will calculate the claim, making the necessary adjustments for the costs of foreclosure, and will bill the Mortgagee for the amount due. For CWCOT and PFS claims, HUD will calculate the claim and issue the Mortgagee a settlement letter.

e. Advice of Payment Letter

Upon payment of the claim, HUD will post an Advice of Payment letter on the FHAC. If claims have been grouped together into one EFT payment, HUD will provide Mortgagees with a separate Advice of Payment for each individual payment in each payment batch.

4. Withdrawal or Cancellation of Insurance Claims

a. Withdrawal of Application for Insurance Benefits

If the claim has not yet been paid, the Mortgagee may apply in writing to HUD's [MCM](#) for consent to withdraw an application of insurance benefits. The Mortgagee must agree to:

- accept Reconveyance of the Property;
- promptly file a Reconveyance for record;

IV. Claims and Disposition

B. Claims

2. Withdrawal or Cancellation of Insurance Claims

- accept the title evidence it furnished to HUD; and
- reimburse HUD for expenses incurred in holding the Property.

b. Cancellation of Insurance Benefits due to Reconveyance

i. Reconveyance

(A) Definition

A Reconveyance is a conveyance of a Property from HUD back to the Mortgagee due to the Mortgagee's failure to comply with HUD's conveyance requirements or at the Mortgagee's request.

(B) Standard

When HUD reconveys a Property, the Mortgagee must return all insurance funds received from the claim associated with that Property. For Mortgages insured on or after November 19, 1992, the Mortgagee must also reimburse HUD for its holding costs and expenses incurred in the acquisition and Reconveyance of the Property.

(C) Reduction of Insurance Benefits due to Changes in Value

If there is a reduction in the estimate of value from the time of Reconveyance to the time of reapplication for insurance benefits, HUD will deduct from the claim amount the difference in value.

(D) FHA Short Refinance

For Mortgages under the FHA Short Refinance program, the Mortgagee will be required to repay all claim funds to FHA, including the claim funds paid under EESA, in the event the Property is reconveyed to the Mortgagee.

(E) Costs Relating to Title Defects

(1) Insured On or After November 19, 1992

For Mortgages insured under a Firm Commitment issued on or after November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the Mortgagee's approved underwriter on or after November 19, 1992, HUD may require the Mortgagee to correct title defects within 60 Days after receiving notice from the Secretary or within such further time as the Secretary may approve in writing.

The Mortgagee may retain the insurance benefits already paid, but HUD will not reimburse the Mortgagee for any costs involved in correcting the title.

IV. Claims and Disposition

B. Claims

2. Withdrawal or Cancellation of Insurance Claims

(2) Insured before November 19, 1992

For Mortgages insured under a Firm Commitment issued before November 19, 1992, or under Direct Endorsement processing where the credit worksheet was signed by the Mortgagee's approved underwriter before November 19, 1992, HUD may require the Mortgagee to correct title defects within such time as the Secretary may approve in writing.

Where HUD allows the Mortgagee time to correct title defects, the Mortgagee may retain the insurance benefits already paid, but HUD will not reimburse the Mortgagee for any costs involved in correcting the title.

(3) Reimbursement to HUD for Holding Costs and Interest

If a title defect is not corrected within HUD's timeframe, the Mortgagee must reimburse HUD for holding costs and interest on the paid insurance benefits from the date of the notice to the date the defect is corrected or to the date the Secretary reconveys the Property, within the timeframe stated by HUD in its Demand Letter.

(4) Costs Associated with Correcting Title

The Mortgagee is responsible for the costs in correcting title defects and for property expenses pending correction, except where HUD has sold the Property or Mortgage with an adverse interest senior to the Mortgage and causing the title defect.

(5) Improper Deed to HUD

If the Property was improperly deeded to HUD and the Property has been sold, HUD will remit to the Mortgagee the sales price less expenses of the sale and expenses incurred while the Property was in HUD's inventory.

(F) Property Preservation Costs

(1) Standard

The Mortgagee is responsible for any damages the Property has sustained while in the Mortgagee's possession, if the Property was conveyed without prior notice and approval by HUD.

If a Property is reconveyed because of damage, the Mortgagee must withdraw its claim for insurance benefits and reimburse HUD for property expenditures.

IV. Claims and Disposition

B. Claims

2. Withdrawal or Cancellation of Insurance Claims

(2) Holding Costs

(a) Definition

Holding Costs are those costs paid by HUD related to taxes, maintenance and operating expenses of the Property, and administrative expenses.

(b) Standard

If HUD finds that the Mortgagee did not comply with its conveyance standards, the Mortgagee must reimburse HUD for holding costs and interest on the paid insurance benefits from the date of the notice to the date the defect is corrected or to the date the Secretary reconveys the Property, as determined by HUD.

(G) Appeals of Reconveyances due to Property Condition

HUD has established a two-stage appeal procedure for disputes between Mortgagees and HUD regarding Reconveyance requests due to property condition.

(1) Appealing to the MCM

If the Mortgagee disagrees with HUD's decision to reconvey, the Mortgagee may appeal the Reconveyance via email to the MCM within 10 Days from the date the response was due or received from HUD.

(2) Appealing to the Office of Single Family Asset Management

If the Mortgagee believes that the MCM's decision is not supported by regulation or circumstances and has exhausted all appeal methods available through the MCM, the Mortgagee may appeal the decision to reconvey the Property to the Director of the Office of Single Family Asset Management.

The Mortgagee must submit the written appeal to the Director of the Office of Single Family Asset Management within 10 Days from the date the response was due or received from the MCM at:

Department of Housing and Urban Development
National Servicing Center
ATTN: CRC, P&P Reviews
301 NW 6th Street Suite 200
Oklahoma City, Oklahoma 73102

The decision of the Director is final and HUD will not accept further appeals.

IV. Claims and Disposition

B. Claims

2. Withdrawal or Cancellation of Insurance Claims

ii. Reacquisition by HUD and Resubmission of Claim

(A) Reacquisition

(1) Definition

Reacquisition is the process by which a Mortgagee conveys to HUD a Property that has been previously reconveyed to the Mortgagee.

(2) Standard

After the Mortgagee has corrected the problem causing Reconveyance, the Mortgagee may request reacquisition by HUD of a reconveyed Property and resubmit the claim.

(B) Reacquisition Package

(1) Standard

The Mortgagee must prepare and submit a reacquisition package to the MCM via email through P260 requesting permission to convey the Property to HUD. The Mortgagee must ensure that this package demonstrates:

- that any title issues have been resolved, if applicable;
- that any required repairs have been completed, if applicable; and
- that the Property is ready to be conveyed to HUD.

The Mortgagee must attach a copy of the Preliminary Notice of Intent to Reconvey in its email to the MCM.

(2) Required Documentation

For Properties reconveyed due to title issues, the Mortgagee must include in its reacquisition package:

- a corrected title package, including a certification of title; and
- for mobile housing or Manufactured Housing, an affidavit of fixture.

For Properties reconveyed due to damage, the Mortgagee must include in its reacquisition package:

- current dated color photographs that support repairs; and
- current inspection reports or other documentation evidencing that repairs have been completed and that the Property is in conveyance condition.

(C) Resubmission of Claim

Once the Mortgagee receives MCM approval to convey, the Mortgagee may reapply for insurance benefits. The Mortgagee must:

- attach documentation to demonstrate that:

IV. Claims and Disposition

B. Claims

2. Post-Claim Reviews

- the MCM has received their copy of the reacquisition claim and has approved conveyance; or
- proof from the FHAC Neighborhood Watch that the Property has been sold;
- attach a copy of the reconveyance demand letter for Part B submissions; and
- clearly mark the submission as “Reacquisition - Reapplication after Reconveyance.”

The Mortgagee must update the form HUD-27011 and submit the original Part A and B, if applicable, with required attachments to HUD at:

U.S. Department of Housing and Urban Development
Single Family Claims Branch
Attention: Chief, Review & Compliance Section
451 7th Street SW, Room 6251
Washington, D.C. 20410

(D) Expenses and Interest after Reconveyance

The Mortgagee must not include on its reacquisition claim any property expenses or debenture interest not included in the initial claim filing. HUD will not reimburse these additional expenses as part of the reacquisition claim.

If necessary, the Mortgagee may submit a [supplemental claim](#) for additional property expenses or debenture interest incurred before initial conveyance to HUD.

5. Post-Claim Reviews

a. Definition

A Post-Claim Review is a review of the claim file by HUD or its agent to determine the Mortgagee’s compliance with HUD’s claim guidance and to verify the accuracy and appropriateness of amounts claimed.

b. Standard

HUD or its agent may conduct a post-claim review at any time within three years after the claim is paid.

The Mortgagee must be able to show support for all information entered on the application for insurance benefits. If a question arises regarding the support of an amount reimbursed on an insurance claim, the burden of proof is on the Mortgagee to show that the amount is valid and reasonable.

IV. Claims and Disposition

B. Claims

2. Post-Claim Reviews

c. Selection of Claims for Review

HUD may use statistical sampling to select claims for review and, based upon the results of the statistical sampling, may extrapolate the amount of any overpayment over all claims paid during the subject review period to determine the amount due HUD for overpayments.

d. Frequency of Reviews

HUD may review any paid claim file at any time within three years after the claim is paid.

Where state Housing Finance Agencies (HFA) have settled 50 or fewer FHA mortgage insurance claims in a 12-month period, the HFA may elect to defer the review to a biennial (occurring every two years) schedule.

e. Notification to Mortgagee of Claim Review

HUD will notify Mortgagees by letter before beginning its claims review. The Mortgagee must make available to HUD copies of identified claim files, in the format (electronic or hard copy) requested, within 24 hours of a request or such other time as permitted by HUD.

Denial of access to a file may be grounds for [enforcement](#) (see the Enforcement section of the Quality Control, Oversight and Compliance section in the *SF Handbook*) action.

f. HUD's Initial Report

HUD will review the result of the claims review prior to the issuance of a report.

After completion of the reviews, HUD will issue the initial report identifying:

- any discrepancies resulting from inaccuracies, omissions, missed time requirements or unsupported claim information;
- the Mortgagee's potential liability; and
- whether or not the Mortgagee is in compliance with HUD's claim filing guidelines.

g. Mortgagee Response Procedures to HUD's Initial Report

The Mortgagee may provide any additional documentation that could affect the review results within 45 Days from the date of the initial report. If no additional documentation is provided within 45 Days, HUD will consider the report final and the potential liability identified will become the amount owed.

h. Findings Based on Mortgagee Response

HUD will review additional information provided by the Mortgagee within the response timeline and, if applicable, will make adjustments to the potential amount owed. HUD will issue a follow-up report stating the revised finding, if any, and any new findings.

IV. Claims and Disposition

B. Claims

2. Debt Collection and Administrative Offset

i. Mortgagee Response Procedures to HUD's Follow-Up Report

Within 21 Days from the date of the follow-up report, the Mortgagee may provide additional documentation that could affect the review results. If no additional documentation is provided within 21 Days, HUD will consider the report final and the potential liability identified will become the amount owed.

If further documentation is submitted to refute the findings in the follow-up report, HUD will review the documentation and issue a final report stating:

- the revised findings (if any);
- any new findings; and
- that the review is being referred to the Albany Financial Operations Center (FOC) for enforced debt collection, if applicable.

j. Referral to Albany FOC

HUD will send the post-claim review to the Albany FOC for collection of the outstanding amount. HUD will pursue any outstanding amounts via Treasury Offset if the amount remains outstanding.

6. Debt Collection and Administrative Offset

HUD may use the debt collection and administrative offset process to collect money owed by the Mortgagee due to an improper claim amount.

a. Demand Letter

To establish the debt, HUD will send a Demand Letter to the Mortgagee. Within 30 Days of the date of the Demand Letter, the Mortgagee must:

- remit overpaid amounts; or
- take other such action, including submitting a rebuttal, as provided in the Demand Letter.

The Mortgagee must submit a rebuttal within 30 Days of the date of Demand Letter in order to preserve any further appeal opportunities relating to the debt.

b. Notice of Intent to Collect Administrative Offset

i. Issuance of Notice of Intent to Collect by Administrative Offset

HUD will issue a Notice of Intent to Collect by Administrative Offset to the Mortgagee, should the Mortgagee fail to respond to the Demand Letter or should HUD determine that the Mortgagee's rebuttal fails to demonstrate that the Mortgagee is not responsible for the debt.

IV. Claims and Disposition

B. Claims

2. Debt Collection and Administrative Offset

ii. Required Mortgagee Action

The Mortgagee must remit funds within 30 Days from the date of the Notice of Intent to Collect by Administrative Offset.

iii. Request for HUD Review

Within 20 Days of the date of the Notice of Intent to Collect by Administrative Offset, the Mortgagee may request HUD review of the determination of indebtedness, if they have already submitted a rebuttal to HUD. The Mortgagee must include with the request:

- a copy of the original Demand Letter;
- the Mortgagee's initial response, if any;
- the Notice of Intent to Collect by Administrative Offset; and
- all documentation necessary to support the Mortgagee's request for review of the determination and to address the deficiencies in their rebuttal to HUD.

The Mortgagee must submit the written appeal as directed in the Demand Letter.

iv. Departmental Review

After review of the request, HUD will issue a written Final Agency Decision. HUD will accept no other requests for review after issuance of the Final Agency Decision.

c. Initiation of Offset Action

HUD will initiate the offset action if HUD does not receive the funds from the Mortgagee within 30 Days from the date of the Notice of Intent to Collect by Administrative Offset and the Mortgagee has not submitted a request for a HUD review of the determination of indebtedness.

FHA Single Family Housing Policy Handbook

GLOSSARY

30-Day Account

A 30-Day Account refers to a credit arrangement that requires the Borrower to pay off the outstanding balance on the account every month.

30-Day Advance Prepayment Notice Period

The 30-Day Advance Prepayment Notice Period refers to the time requirement for the Borrower to provide advance notice to the Mortgagee for prepayment of an FHA-insured Mortgage insured prior to August 2, 1985.

90-Day Review

The 90-Day Review is a Mortgagee's required evaluation, occurring before four monthly installments are due and unpaid, of a Defaulted Mortgage for appropriate Loss Mitigation Options.

Accessory Dwelling Unit (ADU)

An Accessory Dwelling Unit (ADU) refers to a habitable living unit added to, created within, or detached from a primary one-unit Single Family dwelling, which together constitute a single interest in real estate. It is a separate additional living unit, including kitchen, sleeping, and bathroom facilities.

Acquisition Cost

The Acquisition Cost is the purchase price of the Property, including closing costs, prepaid costs, and commissions, if paid by the purchaser, but not including the cost of any repairs that the purchaser makes to the Property subsequent to acquisition.

Active Duty

Active Duty refers to a status where a person has a full-time military occupation.

Adequate Vehicular Access

Adequate Vehicular Access to Property refers to an all-weather road surface over which emergency and typical passenger vehicles can pass at all times.

Adjustable Rate Mortgage

An Adjustable Rate Mortgage (ARM) refers to a Mortgage in which the interest rate can change annually based on an index plus a margin.

Adjusted As-Is Value (applicable to 203(k) only)

For purchase transactions, the Adjusted As-Is Value refers to the lesser of:

- the purchase price less any inducements to purchase; or
- the As-Is Property Value.

For Refinance transactions, the Mortgagee must obtain an as-is appraisal to determine the Adjusted As-Is Value when the existing debt on the Property plus the cost of repairs exceeds the After Improved Value, or the Property was acquired within 12 months of the case number assignment date.

For Properties acquired greater than or equal to 12 months prior to the case number assignment date:

- When an appraisal is required, the Adjusted As-Is Value is the As-Is Property Value.
- When the existing debt on the Property plus the cost of repairs does not exceed the after-improved value, the Mortgagee has the option of using the existing debt or an as-is appraisal to determine the Adjusted As-Is Value.

For Properties acquired within 12 months of the case number assignment date:

- For Properties acquired by the Borrower within 12 months of the case number assignment date, the Adjusted As-Is Value is the lesser of:
 - existing debt plus fees associated with the new Mortgage; or
 - the As-Is Property Value.
- For Properties acquired by the Borrower within 12 months of the case number assignment date by inheritance or through a gift from a Family Member, the Mortgagee may utilize the calculation of Adjusted As-Is Value for Properties acquired greater than or equal to 12 months prior to the case number assignment date.

For HUD REO, the Adjusted As-Is Value is the lesser of:

- the contract sales price; or
- the listing price.

Adjusted Value (Not for 203(k) Mortgages)

For purchase transactions, the Adjusted Value is the lesser of:

- purchase price less any inducements to purchase; or
- the Property Value.

For refinance transactions:

- For Properties acquired by the Borrower within 12 months of the case number assignment date, the Adjusted Value is the lesser of:
 - the Borrower's purchase price, plus any documented improvements made subsequent to the purchase; or
 - the Property Value.
- Properties acquired by the Borrower within 12 months of case number assignment by inheritance or through a gift from a Family Member may utilize the calculation of Adjusted Value for Properties purchased 12 months or greater.
- For Properties acquired by the Borrower greater than or equal to 12 months prior to the case number assignment date, the Adjusted Value is the Property Value.

Advertising Device

An Advertising Device is a channel or instrument used to solicit, promote or advertise FHA products or programs. Advertising Devices are present in the entire range of electronic and print

media utilized by Mortgagees, including, but not limited to, websites, website addresses, business names, aliases, DBA names, domain names, email addresses, direct mail advertisements, solicitations, promotional materials and correspondence.

Affiliate

An Affiliate is a contractor, agent, vendor, subservicer, or Sponsored Third-Party Originator (TPO) who participates in FHA programs on behalf of an FHA-approved Mortgagee.

Affordable Housing Program Plan

Affordable Housing Program Plan (AHPP) refers to a program plan, as described in a written proposal submitted to FHA, operated by a nonprofit in specific geographical areas in which the nonprofit provides affordable homeownership opportunities for low- to moderate-income buyers by purchasing, rehabilitating, and reselling HUD Homes to these buyers. The program can include other homeownership activities, such as counseling.

After Improved Value

After Improved Value refers to the value as determined by the Appraiser based on a hypothetical condition that the repairs or alterations have been completed.

Alimony, Child Support, and Maintenance Income

Alimony, Child Support, and Maintenance Income refers to income received from a former spouse or partner or from a non-custodial parent of the Borrower's minor dependent.

Annuity Income

Annuity Income refers to a fixed sum of money periodically paid to the Borrower from a source other than employment.

Appraisal Conditions

Appraisal Conditions refer to anything the Appraiser requires to occur or be known before the value of conclusion can be considered valid.

Appraiser

Appraiser refers to an FHA Roster Appraiser who observes, analyzes, and reports the physical and economic characteristics of a Property and provides an opinion of value to FHA. An Appraiser's observation is limited to readily observable conditions and is not as comprehensive an inspection as one performed by a licensed home inspector.

Appropriate HOC

The Appropriate [HOC jurisdiction](#) is determined by the location of the Property securing the FHA Mortgage.

Approved Mortgage

An Approved Mortgage is a Mortgage underwritten and approved by a Direct Endorsement (DE) underwriter, or covered by a firm commitment issued by HUD.

Arm's Length PFS Transaction

An Arm's Length Pre-Foreclosure Sale (PFS) Transaction is between two unrelated parties that is characterized by a selling price and other conditions that would prevail in an open market environment and without hidden terms or special understandings existing between any of the parties (e.g., buyer, seller, Appraiser, sales agent, closing agent, and Mortgagee).

Arm's Length Transaction

An Arm's Length Transaction refers to a transaction between unrelated parties who are each acting in their own best interest.

Articles of Organization

Articles of Organization refers to articles of incorporation, charter, articles of association, constitution, trust instrument, or any other written instrument by which an organization is created.

As-Is Property Value (applicable to 203(k) only)

As-Is Property Value refers to the Adjusted As-Is Value as determined by the FHA Roster Appraiser except in the case of Property Flipping and HUD REO purchases.

Authoritative Copy

The Authoritative Copy refers to the controlling reference copy. The Authoritative Copy of an electronically signed document refers to the electronic record that is designated by the Mortgagee or holder as the controlling reference copy.

Authorized Third Party

Authorized Third Parties are parties who are not Borrowers on the Mortgage but who are authorized to communicate with Mortgagees regarding a Mortgage.

Automobile Allowance

Automobile Allowance refers to the funds provided by the Borrower's employer for automobile related expenses.

Base Loan Amount

The Base Loan Amount is the mortgage amount prior to the addition of any financed Upfront Mortgage Insurance Premium (UFMIP). Unless otherwise stated in this *SF Handbook*, all references to maximum mortgage amount or mortgage amount shall refer to the Base Loan Amount.

Basis Point

A Basis Point (bps) is one one-hundredth of one percent.

Boarder

Boarder refers to an individual renting space inside the Borrower's Dwelling Unit.

Borrower

Borrower refers to each and every Borrower on the mortgage application. The term Borrower does not include a Cosigner.

Borrower (applicable to Servicing)

For the purposes of servicing the Mortgage, Borrower refers to the original Borrower who signs the Note and their heirs, executors, administrators, assigns, and approved Substitute Borrowers.

Bracketing

Bracketing refers to selecting comparable properties with features that are superior to and inferior to the subject features.

Broom-swept Condition

Broom-swept Condition is the condition of a Property that is, at a minimum, reasonably free of dust and dirt and free of hazardous materials or conditions, personal belongings, and interior and exterior debris.

Business Formation Documents

Business Formation Documents are an entity's articles of incorporation, bylaws, organization charter, operating agreement, partnership agreement, and similar documentation.

Business Relationship

Business Relationship refers to an association between individuals or companies entered into for commercial purposes.

Cash for Keys

Cash for Keys is a monetary consideration offered as an alternative to legal eviction to property occupants after foreclosure.

Cash on Hand

Cash on Hand refers to cash held by the Borrower outside of a financial institution.

Cash Reserves

Cash Reserves include all non-retirement liquid assets available for withdrawal or liquidation from all financial institutions. Such accounts include, but are not limited to, the following:

- brokerage, mutual funds, checking, savings, money market or certificate of deposits, other depository accounts, and stocks;
- other equity instruments such as marketable debt of federal, state, or local governments, Government-Sponsored Enterprises, corporations and other businesses; and
- other securities and commodities (including futures, traded on an exchange or marketplace generally available to the public) for which values can be readily verified using Schedules B (Interest & Dividends), D (Capital Gains & Losses) and E (Supplemental Income & Loss) of the Borrower's most recent federal tax return.

Certification Period

The Certification Period is the one-year period, beginning on the first day of the Mortgagee's prior fiscal year and ending on the last calendar day thereof.

Change Date

The Change Date is the effective date of an adjustment to the interest rate, as shown in Paragraph 5(a) of the model Adjustable Rate Note form.

Charge Off Account

A Charge Off Account refers to a Borrower's loan or debt that has been written off by the creditor.

Child Support

See **Alimony, Child Support, and Maintenance Income**.

Claims without Conveyance of Title

A Claim without Conveyance of Title (CWCOT) is a procedure under which the Mortgagee attempts to secure a third party purchaser for the mortgaged Property so that conveyance to HUD is not required in exchange for mortgage insurance benefits.

Closing Date

The Closing Date is the settlement date on the Settlement Statement or similar legal document. This is also known as the origination date.

Combined Loan-to-Value (CLTV)

The CLTV is computed as the Base Loan Amount plus the outstanding principal balance of all subordinate Mortgage(s) divided by the Adjusted Value.

Combined Rate

Combined Rate refers to the interest rate on the Mortgage plus the Mortgage Insurance Premium rate.

Commission Income

Commission Income refers to income that is paid contingent upon the conducting of a business transaction or the performance of a service.

Commissioner's Adjusted Fair Market Value

The Commissioner's Adjusted Fair Market Value (CAFMV) is the estimate of the fair market value of the mortgaged Property, less adjustments, which may include without limitation, HUD's estimate of holding costs and resale costs that would be incurred if title to the mortgaged Property were conveyed to HUD.

Community Water System

A Community Water System refers to a central system that is owned, operated and maintained by a private corporation or a nonprofit property owners' association.

Complete Loss Mitigation Request

A Complete Loss Mitigation Request is a request for loss mitigation assistance that contains all information the Mortgagee requires from the Borrower in order to evaluate Loss Mitigation Options.

Complete Nonprofit Application

A Complete Nonprofit Application refers to an application that satisfies all general application requirements and all program specific application requirements for the programs in which the nonprofit seeks approval.

Condominium Project

A Condominium Project refers to a multi-unit Property in which persons hold title to individual units and an undivided interest in common elements. Common elements (areas) include underlying land and buildings, driveways, parking areas, elevators, outside hallways, recreation and landscaped areas, and other elements described in the condominium declaration. Common areas are typically managed by a condominium association.

Conformed Copy

A Conformed Copy is a copy that agrees with the original and all amendments to it.

Contingency Reserve

Contingency Reserve refers to funds that are set aside to cover unforeseen project costs.

Continuous Income

Continuous Income is income received by the Borrower that is reasonably likely to continue from the date of the Mortgagee's loss mitigation evaluation through at least the next 12 months.

Contract Execution Date

Contract Execution Date refers to the date the contract has been executed by all parties.

Contributory Value

Contributory Value refers to the change in the value of a Property as a whole, whether positive or negative, resulting from the addition or deletion of a property component.

Corporate Officer

A Corporate Officer of a Nonsupervised or Investing Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee: Owner, President, Vice President, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, General Counsel, Chairman of the Board, General Partner, or Member or Manager of an LLC.

A Corporate Officer of a Supervised or Government Mortgagee refers to a natural person who serves as one of the following positions for the Mortgagee: President, Vice President in charge of managing or overseeing any aspect of the Mortgagee's FHA business, Chief Operating Officer, Chief Financial Officer, Director, Corporate Secretary, Chief Executive Officer, General

Counsel, Chairman of the Board, General Partner, or specifically designated staff member(s) of a Government Mortgagee.

Cosigner

Cosigner refers to a third party to a debt that provides a guarantee that a debt will be repaid.

Cost Estimate

Cost Estimate refers to a breakdown of the cost for each proposed Work Item, prepared by a 203(k) Consultant.

Credit-qualifying Loans

Credit-qualifying Loans refer to any loan(s) (e.g., mortgage loan, consumer credit card, automobile, etc.) where one or more of the borrowers have obtained and qualified for credit.

Current Index Figure

The Current Index Figure is

- the most recent index figure available 30 Days before the date of each interest rate adjustment, for Mortgages closed before January 10, 2015, and
- the most recent figure available 45 days before the date of each interest rate adjustment, for Mortgages closed on or after January 10, 2015.

Data Plate

Data Plate refers to a paper document located on the interior of the Property that contains specific information about the unit and its manufacturer.

Days

Days refer to calendar Days.

Decision Credit Score

Decision Credit Score refers to the credit score selected from the credit repositories (i.e., Equifax, Trans Union, and Experian) for use when underwriting the loan. A “decision credit score” is determined for each applicant according to the following rule: when three scores are available (one from each repository), the median (middle) value is used; when only two are available, the lesser of the two is chosen; when only one is available that score is used.

Declining Market

A Declining Market refers to any neighborhood, market area or region that demonstrates a decline in prices or deterioration in other market conditions as evidenced by an oversupply of existing inventory or extended marketing times.

Deed-in-Lieu of Foreclosure

A Deed-In-Lieu (DIL) of Foreclosure is a Loss Mitigation Home Disposition Option in which a Borrower voluntarily offers the deed as collateral Property to HUD in exchange for a release from all obligations under the Mortgage.

Deed Restriction

A Deed Restriction refers to a private agreement that restricts the use of real estate in some way, and is listed in the deed.

Default

A Mortgage is in Default when the Borrower fails to make any payment or to perform any other obligation under the Mortgage for a period of 30 Days.

Deficit Income Test

The Deficit Income Test (DIT) is a financial analysis test used for Standard PFS transactions to determine if a Borrower can sustain their Mortgage.

Delinquent

A mortgage account is Delinquent any time a payment is due and not paid.

Disbursement

Disbursement refers to the release of mortgage proceeds to the Borrower.

Disbursement Date

The Disbursement Date refers to the date the proceeds of the Mortgage/Loan are made available to the Borrower.

Disputed Derogatory Credit Account

Disputed Derogatory Credit Account refers to disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months.

Distributive Share

A Distributive Share is a share of any excess earnings from the Mutual Mortgage Insurance Fund that may be distributed to a Borrower after mortgage insurance termination.

Dwelling Unit

Dwelling Unit refers to a single unit of residence for a household of one or more persons.

Early Payment Defaults

Early Payment Defaults (EPD) refer to all Mortgages that become 60 Days Delinquent within the first six payments.

Early Start Letter

Early Start Letter refers to the document issued by the Mortgagee in response to a builder's request to start construction before the appraisal is completed.

Easement

An Easement refers to an interest in land owned by another person, consisting of the right to use or control the land, or an area above or below it, for a specific limited purpose.

Economic Event

Economic Event refers to any occurrence beyond the Borrower's control that results in loss of employment, loss of income, or a combination of both, which causes a reduction in the Borrower's household income of 20 percent or more for a period of at least six months.

Effective Income

Effective Income refers to income that may be used to qualify a Borrower for a Mortgage.

Eligible Contractor

Eligible Contractor refers to a contractor that meets all state and local licensing requirements and, if applicable, federal certification requirements.

Employer Assistance

Employer Assistance refers to benefits provided by an employer to relocate the Borrower or assist in the Borrower's housing purchase, including closing costs, Mortgage Insurance Premiums, or any portion of the Minimum Required Investment.

Employer Housing Subsidy

Employer Housing Subsidy refers to employer-provided mortgage assistance.

Employment Authorization Document

Employment Authorization Document refers to the form provided by the U.S. Citizenship and Immigration Services (USCIS) that proves an individual is allowed to work in the United States for a specific period of time.

Employment Income

Employment Income refers to income received as an employee of a business that is reported on IRS Form W-2.

Encroachment

An Encroachment refers to an interference with or intrusion onto another's property.

Entity

Entity refers to a business Entity such as a corporation, trust, partnership, or sole proprietorship.

Equivalent System

A system equivalent to the Credit Alert Verification Reporting System (CAIVRS) provided by HUD that Mortgagees may use to obtain information on delinquent Federal Debts from public records, credit reports or other sources.

Excess Land

Excess Land refers to land that is not needed to serve or support the existing improvement. The highest and best use of the Excess Land may or may not be the same as the highest and best use of the improved parcel. Excess Land may have the potential to be sold separately.

Excluded Parties

Excluded Parties refer to business parties that have been suspended and/or debarred from further participation in HUD and other federal government programs due to unethical business practice.

Executed SFB-Unemployment Agreement

The SFB-Unemployment Agreement is considered “executed” when:

- at least one of the Borrowers has signed and dated the agreement;
- the agreement has been returned to the Mortgagee; and
- the authorized Mortgagee representative has signed and dated the agreement as well.

Existing Construction

Existing Construction refers to a Property that has been 100 percent complete for over one year or has been completed for less than one year and was previously occupied.

Existing Construction for Manufactured Housing

Existing Construction for Manufactured Housing refers to a Manufactured Home that has been permanently installed on a site for one year or more prior to the case number assignment date.

Existing Less than One Year

Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of the issuance of the Certificate of Occupancy (CO) or equivalent. The Property must have never been occupied.

Expected Income

Expected Income refers to income from cost-of-living adjustments, performance raises, a new job, or retirement that has not been, but will be received within 60 Days of mortgage closing.

Externalities

Externalities refer to off-site conditions that affect a Property’s value. Externalities include heavy traffic, airport noise and hazards, special airport hazards, proximity to high pressure gas lines, Overhead Electric Power Transmission Lines and Local Distribution Lines, smoke, fumes, and other offensive or noxious odors, and stationary storage tanks.

Family Member

Family Member is defined as follows, regardless of actual or perceived sexual orientation, gender identity, or legal marital status:

- child, parent, or grandparent
 - a child is defined as a son, stepson, daughter, or stepdaughter
 - a parent or grandparent includes a step-parent/grandparent or foster parent/grandparent
- spouse or domestic partner
- legally adopted son or daughter, including a child who is placed with the Borrower by an authorized agency for legal adoption
- foster child
- brother, stepbrother
- sister, stepsister

- uncle
- aunt
- son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Borrower

Family-Owned Business Income

Family-Owned Business Income refers to Employment Income earned from a business owned by the Borrower's family, but in which the Borrower is not an owner.

Federal Banking Agencies

The Federal Banking Agencies are the Federal Reserve System (FRS), Federal Deposit Insurance Corporation (FDIC), and the Credit Union Administration (NCUA).

Federal Debt

Federal Debt refers to debt owed to the federal government for which regular payments are being made.

Federal Tax Debt

Federal Tax Debt refers to tax debt owed to the federal government for which regular payments are required.

Fee Simple

Fee Simple refers to an absolute ownership unencumbered by any other interest or estate.

FHA-HAMP

The FHA-HAMP Option is a Loss Mitigation Option using a Loan Modification and/or Partial Claim to allow the Mortgage to be reinstated, by establishing an affordable monthly payment and providing for principal deferment as needed.

Final Reconciliation

Final Reconciliation refers to the process by which an Appraiser evaluates and selects from among alternative conclusions to reach a final value estimate, and reports the results of the analysis.

Finding

A Finding refers to a final determination of defect by the Lender (for Title I), Mortgagee (for Title II), or other participants, as applicable.

Forbearance Plans

Forbearance Plans are arrangements between a Mortgagee and Borrower that may allow for a period of reduced or suspended payments and may provide specific terms for repayment.

Formal Forbearance Plans

Formal Forbearance Plans are written agreements executed by one or more of the Borrowers, allowing for reduced or suspended payments for a period greater than three months, but not more

than six months, unless otherwise authorized by HUD, and such plans may include specific terms for repayment.

Funding Date

The Funding Date is the date the proceeds of the Mortgage are made available to the borrower.

Government Mortgagee

A Government Mortgagee is a federal, state, or municipal governmental agency, a Federal Reserve Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac), or the Federal National Mortgage Association (FNMA, or Fannie Mae).

Governmental Entity

A Governmental Entity refers to any federal, state, or local government agency or instrumentality. To be considered an instrumentality of the government, the Entity must be established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion). HUD deems Section 115 Entities to be instrumentalities of government for the purpose of providing secondary financing.

Grass Cuts

Grass Cuts are the Property P&P actions of mowing, weeding, edge trimming, sweeping of all paved areas, and removal of all lawn clippings, related cuttings, and debris.

Gross Living Area

Gross Living Area (GLA) refers to the total area of finished, above-grade residential space calculated by measuring the outside perimeter of the Structure. It includes only finished, habitable, above-grade living space.

Grossing Up

Grossing Up refers to the process of adjusting tax-exempt income upward by the effective tax rate to compute an equivalent taxable income amount.

Ground Rent

Ground Rent refers to the rent paid for the right to use and occupy the land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term.

Home Disposition Option

Home Disposition Options are the Loss Mitigation Options of Pre-Foreclosure Sales (PFS) and Deed-in-Lieu (DIL).

Home Retention Option

Home Retention Options are the Loss Mitigation Options of Informal and Formal Forbearances, SFB-Unemployment, Loan Modification, and FHA-HAMP.

Homeowners' Association/Condominium Assessment

A Homeowners' Association (HOA)/Condominium Assessment is a periodic payment required of property owners by an HOA or condominium association.

Homeowners' Association /Condominium Fees

Homeowners' Association (HOA)/Condominium Fees are HOA/Condominium Assessments plus interest, Late Charges, collection/attorney fees, and other penalties.

Homeownership and Opportunity for People Everywhere (HOPE) Grantee

Homeownership and Opportunity for People Everywhere (HOPE) Grantee refers to an Entity designated in the homeownership plan submitted by an applicant for an implementation grant under the HOPE program.

Housing Development Experience

Housing Development Experience is defined as acquisition, rehabilitation, and sale to low-to-moderate income persons.

Housing Obligation/Mortgage Payment

A Housing Obligation/Mortgage Payment refers to the monthly payment due for rental or Properties owned. For the purposes of servicing the Mortgage, Mortgage Payment refers to the total monthly payment on the FHA-insured Mortgage.

HUD-approved Nonprofit

A HUD-approved Nonprofit is a nonprofit agency approved by HUD to act as a mortgagor using FHA mortgage insurance, purchase the Department's Real Estate Owned (REO) Properties (HUD Homes) at a discount, and provide secondary financing.

HUD Certification Label

HUD Certification Label, also known as a HUD seal or HUD tag, refers to a two inch by four inch aluminum plate permanently attached to Manufactured Housing.

HUD-Registered Real Estate Broker

A HUD-Registered Real Estate Broker is a real estate listing or selling broker approved by HUD to list or sell HUD Real Estate Owned (REO) Properties.

Identity of Interest

Identity of Interest refers to a transaction between family members, business partners or other business affiliates.

Imminent Default

A Borrower facing Imminent Default is defined as a Borrower who is current or less than 30 Days past due on their mortgage obligation and is experiencing a significant, documented reduction in income or some other hardship that will prevent them from making the next required Mortgage Payment during the month that it is due.

Indian Land

Indian Land refers to those lands that are held by or for the benefit of Indian Tribes under some restriction or with some attribute peculiar to the legal status of its owners.

Indian Tribe

Indian Tribe refers to any Indian or Alaskan native tribe, band, nation, or other organized group or community of Indians or Alaskan natives recognized as eligible for the services provided to Indians or Alaskan natives by the Secretary of Interior because of its status as such an Entity, or that was an eligible recipient under Chapter 67 of title 31, United States Code, prior to the repeal of this section.

Individual Property Files

Individual Property Files refer to files that Governmental Entities and HUD-approved Nonprofits participating in the HUD Homes program must maintain for each Property purchased, sold, or leased when a discount of 10 percent or greater is obtained at the time of purchase.

Individual Retirement Account (IRA)/401(k) Income

An Individual Retirement Account (IRA)/401(k) Income refers to income received from an IRA.

Individual Water Supply System

An Individual Water Supply System refers to a potable water source providing water to an individual Property.

Informal Forbearance Plans

Informal Forbearance Plans are oral agreements allowing for reduced or suspended payments for a period of three months or less and may provide specific terms for repayment.

Initial Index Figure

The Initial Index Figure is the most recent figure available before the Closing Date of the Mortgage.

Initial Vacant Property Inspection

An Initial Vacant Property Inspection is the first inspection performed by the Mortgagee to ascertain the condition of a vacant or abandoned Property.

Installment Due Date

The Installment Due Date is the first Day of the month, as provided for in the security instrument.

Installment Loans

Installment Loans refer to loans, not secured by real estate, that require the periodic payment of principal and interest. A loan secured by an interest in a timeshare must be considered an Installment Loan.

Instrumentality of Government

An Instrumentality of Government refers to an Entity that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated by law (statute or court opinion) and does not have 501(c)(3) status.

Interested Parties

Interested Parties refer to sellers, real estate agents, builders, developers or other parties with an interest in the transaction.

Interested Party Contribution

Interested Party Contribution refers to a payment by an Interested Party, or combination of parties, toward the Borrower's origination fees, other closing costs and discount points.

Investing Mortgagee

An Investing Mortgagee is an organization that invests funds under its own control.

Investment Income

Investment Income refers to interest and dividend income received from assets such as certificates of deposits, mutual funds, stocks, bonds, money markets, and savings and checking accounts.

Investment Property

Investment Property refers to a Property that is not occupied by the Borrower as a Principal or Secondary Residence.

Investor

Investor refers to a Borrower(s) who will not occupy the home as a Principal or HUD-approved Secondary Residence (non-owner occupant).

Judgment

Judgment refers to any debt or monetary liability of the Borrower, and the Borrower's spouse in a community property state unless excluded by state law, created by a court, or other adjudicating body.

Jurisdictional HOC

Jurisdictional HOC refers to the Homeownership Center (HOC) whose jurisdiction includes the state in which the Property is located.

Land Subsidence

Land Subsidence refers to the lowering of the land-surface elevation from changes that take place underground, including damage caused by sinkholes.

Land Use Restriction Addendum

The Land Use Restriction Addendum (LURA) is a legally binding contractual agreement between HUD and the Governmental Entities or nonprofits imposing restrictions on the resale of

a HUD Home that the nonprofit organization or Governmental Entity purchased at a discount of 10 percent or greater.

Last Action Taken

Last Action Taken refers to one of the following steps in the application to endorsement process that is used to refer to the step in the process that was the last completed: (1) case number assigned; (2) appraisal information entered; (3) firm commitment issued by FHA; (4) insurance application received and subsequent updates; and (5) Notice of Return (NOR) and resubmissions. Last Action Taken does not include updates to Borrowers' names and/or property addresses, an appraisal update, or a transmission of the Upfront Mortgage Insurance Premium (UFMIP) to FHA.

Late Charges

Late Charges are charges assessed if a Mortgage Payment is received more than 15 Days after the due date.

Leased Fee

Leased Fee refers to an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others.

Leasehold

Leasehold refers to the right to hold or use Property for a fixed period of time at a given price, without transfer of ownership, on the basis of a lease contract.

Leasehold Estate

Leasehold Estate refers to the right to use and occupy real estate for a stated term and under certain conditions that have been conveyed by a lease.

Leasehold Interests

Leasehold Interests refer to real estate where the residential improvements are located on land that is subject to long-term lease from the underlying fee owner, creating a divided estate in the Property.

Lender

A Title I Lender is a financial institution that (a) holds a valid Title I contract of insurance and is approved by FHA, or (b) held a Title I contract that has been terminated or suspended but remains responsible for servicing or selling the Title I Loans that it holds and is authorized to file insurance claims on these Loans Mortgages.

Lender Electronic Assessment Portal (LEAP)

The Lender Electronic Assessment Portal (LEAP) is an FHA system created to facilitate automated lender approval application.

Lender Insurance (LI) Compare Ratio

The LI Compare Ratio is the percentage of Mortgages underwritten by the Mortgagee that are in claim or Default status compared with the percentage of Mortgages in claim or Default status for all Mortgagees operating in the same state(s) over the preceding two-year period.

Lien Waiver

A Lien Waiver is a document that releases a consumer (homeowner) from any further obligation for payment of a debt once it has been paid in full. Lien Waivers typically are used by homeowners who hire a contractor to provide work and materials to prevent any subcontractors or suppliers of materials from filing a lien against the homeowner for nonpayment.

Loan

Loan means a disbursement of proceeds (funds) or an advance of credit to or for the benefit of a Borrower who promises to repay the principal amount of such disbursement or advance, plus interest, if any, at a stated annual rate over time, with the Borrower's obligation evidenced by the Borrower's execution of a Note.

Loan also means a purchase by a Lender of a Note evidencing such obligation, or a refinancing of an existing obligation with or without an additional disbursement of proceeds or advance of credit.

Loan Administration

Loan Administration refers to all aspects of the FHA Mortgage lifecycle, including origination, underwriting, closing, endorsement, and servicing of FHA-insured Mortgages that are governed by FHA policies and procedures.

Loan Modification

A Loan Modification is a permanent change in one or more terms of a Borrower's Mortgage.

Loan Sample Risk Assessment

A Loan Sample Risk Assessment is a method of evaluating loans selected for QC on the basis of the severity of the violations found during QC reviews.

Loan-to-Value (LTV)

The LTV is computed as the Base Loan Amount divided by the Adjusted Value.

Local Distribution Lines

Local Distribution Lines refer to electric lines that commonly supply power to residential housing developments, similar facilities and individual Properties.

Loss Mitigation Option

A Loss Mitigation Option is one of the following strategies under FHA's Loss Mitigation Program requirements intended to minimize economic impact to the Mutual Mortgage Insurance (MMI) fund and to avoid foreclosure, if possible:

- Informal and Formal Forbearances
- Special Forbearances-Unemployment

- Loan Modifications
- FHA - Home Affordable Modification Program (FHA-HAMP) Loan Modifications, Partial Claims, and Combination Loan Modification/Partial Claims
- Pre-Foreclosure Sales (PFS),
- Deeds-in-Lieu (DIL) of Foreclosure

Low- to Moderate-Income

Low- to Moderate-Income individuals or families refer to individuals or families whose household income does not exceed 115 percent of the median income for the area when adjusted for family size.

Maintenance Income

See **Alimony, Child Support, and Maintenance Income**.

Manufactured Home

A Manufactured Home refers to a single dwelling unit of Manufactured Housing.

Manufactured Home Loan

Manufactured Home Loan refers to a Loan for the purchase or refinancing of a Manufactured Home and/or the lot on which to place such home. Unless otherwise indicated, the term includes Manufactured Home Purchase Loans, Manufactured Home Lot Loans, and combination loans.

Manufactured Home Lot Loan

Manufactured Home Lot Loan refers to a Loan for the purchase or refinancing of a portion of land acceptable to HUD as a manufactured home lot. A manufactured home lot may consist of platted or unplatted land, a lot in a recorded or unrecorded subdivision or in an improved area of such subdivision, or a lot in a Planned Unit Development (PUD). A manufactured home lot may also consist of an interest in a manufactured home condominium project (including any interest in the common areas) or a share in a cooperative association which owns and operates a manufactured home park.

Manufactured Home Purchase Loan

Manufactured Home Purchase Loan refers to a Loan for the purchase or refinancing of a manufactured home exclusive of any lot or site, and may also include a garage, patio, carport, or other comparable appurtenance.

Manufactured Housing

Manufactured Housing refers to Structures that are transportable in one or more sections. They are designed to be used as a dwelling when connected to the required utilities, which include the plumbing, heating, air-conditioning and electrical systems contained therein. Manufactured Housing is designed and constructed to the federal Manufactured Home Construction and Safety Standards (MHCSS) as evidenced by an affixed HUD Certification Label. Manufactured Housing may also be referred to as mobile housing, sectionals, multi-sectionals, double-wide, triple-wide or single-wide.

Market Condition Adjustments

Market Condition Adjustments refer to adjustments made to reflect value changes in the market between the date of the contract for the comparable sale and the effective date of the appraisal.

Market Rate

Market Rate is a rate that is no more than 25 bps greater than the most recent Freddie Mac Weekly Primary Mortgage Market Survey (PMMS) Rate for 30 year fixed-rate conforming Mortgages (U.S. average), rounded to the nearest one-eighth of 1 percent (0.125 percent), as of the date a Trial Payment Plan (TPP) is offered to a Borrower.

Market Value

Market Value refers to the most probable price which a Property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the Property sold unaffected by special or creative financing or Sales Concessions granted by anyone associated with the sale.

Adjustments to the comparables must be made for special or creative financing or Sales Concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the Property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

Material Finding

In the context of Mortgage origination and underwriting, a Finding is Material if disclosure of the Finding would have altered the Mortgagee's decision to approve the Mortgage or to endorse or seek endorsement from FHA for insurance of the Mortgage. In the context of mortgage servicing, a Finding is Material if it has an adverse impact on the Property and/or FHA.

Maximum Property Preservation Allowance

The Maximum Property Preservation Allowance is the maximum reimbursement for all property preservation expenses on an individual Property.

Military Income

Military Income refers to income received by military personnel during their period of active, Reserve, or National Guard service, including:

- base pay

- Basic Allowance for Housing
- clothing allowances
- flight or hazard pay
- Basic Allowance for Subsistence
- proficiency pay

Minimum Decision Credit Score (MDCS)

Minimum Decision Credit Score (MDCS) refers to the credit score reported on the Borrower's credit report when all reported scores are the same. Where three differing scores are reported, the middle score is the MDCS. Where two differing scores are reported, the MDCS is the lowest score. Where only one score is reported, that score is the MDCS.

Minimum Property Requirements

Minimum Property Requirements (MPR) refer to general requirements that all homes insured by FHA be safe, sound, and secure.

Minimum Property Standards

Minimum Property Standards (MPS) refer to regulatory requirements relating to the safety, soundness and security of New Construction.

Minimum Required Investment (MRI)

Minimum Required Investment (MRI) refers to the Borrower's contribution in cash or its equivalent required by Section 203(b)(9) of the National Housing Act (NHA), which represents at least 3.5 percent of the Adjusted Value of the Property.

Mitigated Finding

A Finding has been Mitigated if the Mortgagee has adequately addressed the deficiencies underlying the Finding, and such deficiencies have been remedied so that the Mortgagee's decision to approve the Mortgage or to endorse or seek endorsement from FHA for insurance of the Mortgage is acceptable to FHA.

Mixed Use

Mixed Use refers to a Property suitable for a combination of uses including any of the following: commercial, residential, retail, office or parking space.

Modular Housing

Modular Housing refers to Structures constructed according to state and local codes off-site in a factory, transported to a building lot, and assembled by a contractor into a finished house.

Mortgage

Mortgage refers to any form of security instrument that is commonly used in a jurisdiction in connection with a loan secured by a one- to four-family residential Property, such as a deed of trust or security deed.

Mortgage Charge

Mortgage Charge refers to the interest rate, discount points, origination fee, and any other amount charged to the Borrower for an insured Mortgage.

Mortgage Charge Rate

Mortgage Charge Rate refers to the total amount of Mortgage Charges for a Mortgage expressed as a percentage of the initial principal of the Mortgage.

Mortgage Insurance Premium Cancellation

A Mortgage Insurance Premium (MIP) cancellation is the ending of MIP payments on an FHA-insured Mortgage closed on or after January 1, 2001, and assigned a case number before June 3, 2013.

Mortgage on Indian Land

A Section 248 Mortgage on Indian Land refers to a purchase or refinance Mortgage covering one- to four-family dwellings on Indian Lands.

Mortgage Payment

See **Housing Obligation**.

Mortgage Payment Reserve

Mortgage Payment Reserve refers to an amount set aside to make Mortgage Payments when the Property cannot be occupied during rehabilitation.

Mortgagee

See **Title I Mortgagee** or **Title II Mortgagee**.

Mortgagee Neglect

Mortgagee Neglect is the Mortgagee's failure to take action to preserve and protect the Property.

Mortgages Delinquent within the First Two Years

Mortgages Delinquent within the First Two Years are Mortgages that were reported to HUD as 90 days or more Delinquent in the 24-month period; this delinquent status includes Mortgages that went into Default but have subsequently cured.

Name and Address Identification (NAID)

A Name and Address Identification number is used by HUD to track the payee of HUD funds.

Net Sale Proceeds

Net Sale Proceeds are the proceeds of a PFS sale, calculated by subtracting reasonable and customary closing and settlement costs from the property sales price.

Net Self-Sufficiency Rental Income

Net Self-Sufficiency Rental Income refers to the Rental Income produced by the subject Property over and above the Principal, Interest, Taxes, and Insurance (PITI).

New Construction

New Construction refers to Proposed Construction, Properties Under Construction, and Properties Existing Less than One Year as defined below:

- Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.
- Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.
- Existing Less than One Year refers to a Property that is 100 percent complete and has been completed less than one year from the date of issuance of the CO or equivalent. The Property must have never been occupied.

New Construction for Manufactured Housing

New Construction for Manufactured Housing refers to a Manufactured Home that has been permanently erected on a site for less than one year prior to the case number assignment date.

Non-Borrowing Spouse Debt

Non-Borrowing Spouse Debt refers to debts owed by a spouse that are not owed by, or in the name of the Borrower.

Non-Monetary Default

Non-Monetary Default is a Default where the Borrower fails to perform obligations, other than making monthly payments, contained in the mortgage security instrument for a period of 30 Days.

Non-Occupant Borrower

A Non-Occupant Borrower is a Borrower on a Mortgage securing a Property that is not occupied by any Borrower.

Non-Occupying Borrower Transaction

Non-Occupying Borrower Transaction refers to a transaction involving two or more Borrowers in which one or more of the Borrower(s) will not occupy the Property as their Principal Residence.

Nonprofit Instrumentality of Government

A Nonprofit Instrumentality of Government (NPIOG) refers to a 501(c)(3) organization that was established by a governmental body or with governmental approval or under special law to serve a particular public purpose or designated as an instrumentality by law (statute or court opinion). FHA requires the unit of government that established the nonprofit to exercise organizational control, operational control or financial control of the nonprofit in its entirety or, at minimum, the specific homebuyer assistance program that is using FHA's credit enhancement.

Organizational Control refers to the majority of the governing board and/or principal officers that are named or approved by governmental body/officials.

Operational Control refers to the requirement that the government body approves all major decisions and/or expenditures.

Financial Control refers to the requirement that the government body provides funds through direct appropriations, grants, or loans, with related controls applicable to all activities of the Entity.

Nonsupervised Mortgagee

A Nonsupervised Mortgagee is a lending institution that has as its principal activity the lending or investing of funds in real estate Mortgages, consumer installment notes, or similar advances of credit, the purchase of consumer installment contracts, or from a directly related field. A directly related field is something directly related to the investing or lending of Mortgages, not simply actions relating to real estate in general.

Non-Taxable Income

Non-Taxable Income refers to types of income not subject to federal taxes, which includes, but is not limited to:

- some portion of Social Security income;
- some federal government employee Retirement Income;
- Railroad Retirement benefits;
- some state government Retirement Income;
- certain types of disability and Public Assistance payments;
- Child Support;
- military allowances; and
- other income that is documented as being exempt from federal income taxes.

Non-Traditional Mortgage Credit Report (NTMCR)

A type of credit report designed to access the credit history of a Borrower without the types of trade references normally appearing on a traditional credit report. It is used as a substitute for the traditional credit report.

Note

Note refers to any form of credit instrument commonly used in a jurisdiction to evidence a Mortgage.

Notes Receivable Income

Notes Receivable Income refers to income received by the Borrower as payee or holder in due course of a promissory Note or similar credit instrument.

Notice of Deficiency

A Notice of Deficiency (NOD) refers to a formal notification from FHA to an appraiser when a review identifies an error or lack of compliance. An NOD is not a sanction and is not considered severe enough to require remedial education or removal.

Notice of Intent to Prepay

Notice of Intent to Prepay refers to the advance notice that Borrowers on Mortgages insured before August 2, 1985 must provide in order to prepay their FHA-insured Mortgages in full without penalty.

Obligor

Obligor refers to a person or entity who is legally or contractually obliged to make all principal and interest payments on a debt.

Occupancy Follow-Up

An Occupancy Follow-Up is an attempt to communicate with the Borrower via letter, telephone, or other method of communication, other than on-site inspection, to determine occupancy when the Mortgage remains in Default after the initial inspection and the Mortgagee has not determined the Borrower's occupancy status.

Occupancy Inspection

An Occupancy Inspection is a visual inspection of a mortgaged Property by the Mortgagee to determine if the mortgaged Property has become vacant or abandoned and to confirm the identity of any occupants.

Occupied Conveyance

An Occupied Conveyance is the conveyance to HUD of a Property that is not vacant.

Onset of an Economic Event

Onset of an Economic Event refers to the month of loss of employment/income.

Onsite Sewage Disposal System

An Onsite Sewage Disposal System refers to wastewater systems designed to treat and dispose of effluent on the same Property that produces the wastewater.

Overhead Electric Power Transmission Lines

Overhead Electric Power Transmission Lines refer to electric lines that supply power from power generation stations to Local Distribution Lines.

Overtime and Bonus Income

Overtime and Bonus Income refers to income that the Borrower receives in addition to the Borrower's normal salary.

Owner-Occupant Borrower

An Owner-Occupant Borrower is a Borrower residing in the Property secured by the FHA-insured Mortgage as a Principal Residence.

Partial Claim

A Partial Claim is a FHA's reimbursement of a Mortgagee advancement of funds on behalf of the Borrower in an amount necessary to assist in reinstating the Delinquent Mortgage under the FHA-HAMP Option.

Partial Payment

A Partial Payment is a payment of any amount less than the full amount due under the Mortgage at the time the payment is tendered, including late charges and amounts advanced by the Mortgagee on behalf of the Borrower (such as for the payment of taxes).

Partial Prepayment

A Partial Prepayment is a payment of part of the principal amount before the date on which the principal is due.

Partially Below-Grade Habitable Space

Partially Below-Grade Habitable Space refers to living area constructed partially below grade, but has the full utility of GLA.

Part-Time Employment

Part-Time Employment refers to employment that is not the Borrower's primary employment and is generally performed for less than 40 hours per week.

Payoff

See **Prepayment in Full**.

Payoff Disclosure

A Payoff Disclosure is a disclosure accompanying the payoff statement and, for Mortgages closed before January 21, 2015, describing the procedures for prepayment of a Mortgage.

Pension

Pension refers to income received from the Borrower's former employer(s).

Personal Property

Personal Property refers to tangible property, other than Real Property, such as cars, recreational vehicles, stamps, coins or other collectibles.

Planned Unit Development (PUD)

A Planned Unit Development (PUD) refers to a residential development that contains, within the overall boundary of the subdivision, common areas and facilities owned by a Homeowners' Association (HOA), to which all homeowners must belong and to which they must pay lien-supported assessments. A unit in a PUD consists of the fee title to the real estate represented by the land and the improvements thereon plus the benefits arising from ownership of an interest in the HOA.

Pre-Conveyance Inspection

A Pre-Conveyance Inspection is an inspection performed by HUD, at the Mortgagee's request, before conveyance to determine if a Property meets HUD's conveyance standards.

Pre-Foreclosure Sale

Pre-Foreclosure Sales, also known as Short Sales, refer to the sales of real estate that generate proceeds that are less than the amount owed on the Property and the lien holders agree to release their liens and forgive the deficiency balance on the real estate.

Pre-Foreclosure Sale Approval to Participate

A Pre-Foreclosure Sale (PFS) Approval to Participate is an agreement signed by the Borrower to confirm their willingness to comply with the PFS Program requirements.

Premium Pricing

Premium Pricing refers to a credit from a Mortgagee/Lender for the interest rate chosen.

Prepayment in Full

A Prepayment in Full or Payoff is the payment in whole of the principal amount of the Mortgage Note in advance of expiration of the term of the Mortgage Note.

Primary Obligor

Primary Obligor refers to a person or entity who is legally or contractually obliged to make all principal and interest payments on a debt.

Principal Officer

See **Corporate Officer**.

Principal Owner

A Principal Owner is any individual or Entity meeting the following thresholds or roles for the applicable business form:

Business Form	Principal Owners
Publicly Traded Corporation	10% or more ownership
Private or Close Corporation	25% or more ownership
Limited Liability Company	All Members
Partnerships	All Partners

Principal Residence

A Principal Residence refers to a dwelling where the Borrower maintains or will maintain their permanent place of abode, and which the Borrower typically occupies or will occupy for the majority of the calendar year. A person may have only one Principal Residence at any one time.

Private Savings Club

A Private Savings Club refers to a non-traditional method of saving by making deposits into a member-managed resource pool.

Property

Property refers to the real estate entity that will serve as adequate security for a specific FHA-insured Mortgage.

Property Flipping

Property Flipping refers to the purchase and subsequent resale of a Property in a short period of time.

Property Preservation and Protection

Property Preservation and Protection (P&P) actions are those maintenance, security, and repair actions required by HUD in order to ensure that the Property meets HUD's conveyance condition standards.

Property Value

Property Value refers to the value as determined by the FHA Roster Appraiser.

Proposed Construction

Proposed Construction refers to a Property where no concrete or permanent material has been placed. Digging of footing is not considered permanent.

Public Assistance

Public Assistance refers to income received from government assistance programs.

Purchasing Mortgagee

The Purchasing Mortgagee is the Mortgagee that purchases the Mortgage and thereby succeeds to all rights and obligations of the Selling Mortgagee under the contract for mortgage insurance.

Quality Control (QC) Plan

A Quality Control (QC) Plan is a written plan that sets forth a Mortgagee's procedures for ensuring quality control. A QC Plan is the written element of a Mortgagee's QC Program.

Quality Control (QC) Plan (applicable to nonprofits)

A Quality Control (QC) Plan outlines the processes and procedures used by the nonprofit to monitor its compliance with FHA nonprofit program guidelines.

Quality Control (QC) Program

A Quality Control (QC) Program is the process and written procedures through which the Mortgagee seeks to ensure that FHA operations and loan quality are in compliance with all applicable requirements.

Rate and Term

Rate and Term refers to a no cash-out refinance of any Mortgage in which all proceeds are used to pay existing mortgage liens on the subject Property and costs associated with the transaction.

Real Estate Commission from Sale of Subject Property

Real Estate Commission from Sale of Subject Property refers to the Borrower's (i.e., buyer's) portion of a real estate commission earned from the sale of the Property being purchased.

Real Property

Real Property refers to the interests, benefits, and rights inherent in the ownership of physical real estate.

Reasonable Diligence Timeframe

The Reasonable Diligence Timeframe is the period of time beginning with the first legal action required by the jurisdiction to commence foreclosure, and ending with the later date of acquiring good marketable title to and possession of the Property.

Reconveyance

A Reconveyance is a conveyance of a Property from HUD back to the Mortgagee due to the Mortgagee's failure to comply with HUD's conveyance requirements or at the Mortgagee's request.

Recovery from an Economic Event

Recovery from an Economic Event refers to the re-establishment of Satisfactory Credit.

Re-Default

A Re-Default is a mortgage Default occurring within six months after reinstatement or the successful use of a permanent Home Retention Option.

Rental Income

Rental Income refers to income received or to be received from the subject Property or other real estate holdings.

Reserves

Reserves refer to the sum of the Borrower's verified and documented liquid assets minus the total funds the Borrower is required to pay at closing.

Residential Mortgage Credit Report (RMCR)

RMCR refers to a credit report that provides details on items that have been flagged in a merged report as a result of combining reports from the three credit repositories (Equifax, Trans Union, and Experian).

Residential Real Estate-Related Transactions

Residential Real Estate-Related Transactions are transactions related to the making or purchasing of Mortgages or providing other financial assistance to a Borrower for purchasing, constructing, improving, repairing, or maintaining a dwelling or securing residential real estate, and similar transactions.

Retirement Income

Retirement Income refers to income received from Pensions, 401(k) distributions, and Social Security.

Revolving Charge Accounts

A Revolving Charge Account refers to a credit arrangement that requires the Borrower to make periodic payments but does not require full repayment by a specified point of time.

Running Gear

Running Gear refers to a mechanical system designed to allow the Manufactured Housing unit to be towed over public roads.

Sale of Real Property

The Sale of Real Property refers to the sale of Property currently owned by the Borrower.

Sales Concessions

Sales Concessions refer to non-realty items, upgraded features in newly constructed houses, and special financing incentives.

Sales Contract Date

Sales Contract Date refers to the date the sales contract is executed by all parties.

Seasonal Employment

Seasonal Employment refers to employment that is not year round, regardless of the number of hours per week the Borrower works on the job.

Secondary Residence

Secondary Residence refers to a Structure that a Borrower occupies in addition to their Principal Residence, but less than a majority of the calendar year. A Secondary Residence does not include a Vacation Home.

Self-Employment Income

Self-Employment Income refers to income generated by a business in which the Borrower has a 25 percent or greater ownership interest.

There are four basic types of business structures. They include:

- sole proprietorships
- corporations
- limited liability or “S” corporations
- partnerships

Selling Mortgagee

The Selling Mortgagee is the Mortgagee that sells the Mortgage and thereby relinquishes all rights and obligations under the contract for mortgage insurance.

Servicer

A Servicer is an FHA-approved Mortgagee performing servicing actions on FHA-insured Mortgages on its behalf or on behalf of or at the direction of another FHA-approved Mortgagee.

Settlement Statement

Settlement Statement refers to the closing disclosure required under Section 4 of the Real Estate Settlement Procedures Act.

Shared Well

A Shared Well refers to a well that services two to four homes where there is a binding Shared Well Agreement between the property owners that meets FHA requirements.

Short Sales

See **Pre-Foreclosure Sales**.

Simple Refinance

Simple Refinance refers to a no cash-out refinance of an existing FHA-insured Mortgage in which all proceeds are used to pay the existing FHA-insured mortgage lien on the subject Property and costs associated with the transaction.

Single Family

Single Family refers to one- to four-unit dwellings.

Site Condominium

A Site Condominium refers to a project of Single Family, totally detached dwellings encumbered by a declaration of condominium covenants or a condominium form of ownership. They have no shared garages or any other attached buildings. Project approval is required for Site Condominiums that do not meet this definition.

Slush Pit

A Slush Pit refers to a basin in which drilling “mud” is mixed and circulated during drilling to lubricate and cool the drill bit and to flush away rock cuttings.

Small Supervised Mortgagee

A Small Supervised Mortgagee is a Supervised Mortgagee that has consolidated assets below the threshold for audited financial reporting established by the Federal Banking Agency with oversight of the Mortgagee. Thresholds are codified at [12 CFR §§ 363.1\(a\), 562.4\(b\)\(2\), and 715.4\(c\)](#) and are subject to change.

Social Security Income

Social Security Income or Supplemental Security Income (SSI) refers to income received from the SSA other than disability income.

Soil Contamination

Soil Contamination refers to the presence of manmade chemicals or other alterations to the natural soil environment.

Special Energy System

A Special Energy System refers to any addition, alteration, or improvement to an existing or new Structure that is designed to utilize wind, geothermal or solar energy to produce energy to support the habitability of the Structure.

Special Forbearance - Unemployment

The Special Forbearance – Unemployment Option is a Home Retention Option available when one or more of the Borrowers has become unemployed and this loss of employment has negatively affected the Borrower’s ability to continue to make their monthly Mortgage Payment.

Special Forbearance – Unemployment Agreement

The SFB-Unemployment Agreement is a written agreement between a Mortgagee and the Borrowers, one or more of whom has become unemployed, allowing for reduced and/or suspended Mortgage Payments.

Standard DIL

A Standard Deed-in-Lieu (DIL) is a DIL available for Owner-Occupant Borrowers who experienced a verifiable hardship that has affected their ability to sustain their Mortgage but who do not meet the requirements of a Streamlined DIL Option.

Standard PFS

A Standard Pre-Foreclosure Sale (PFS) Option is a PFS Option available for Owner-Occupant Borrowers who are experiencing a hardship affecting their ability to sustain their Mortgage, as determined by the Deficit Income Test (DIT) and:

- are in Default; or
- are current or less than 30 Days past due but facing Imminent Default due to a hardship as described in the [Eligible Borrowers](#) section.

Streamline Refinance

Streamline Refinance refers to the refinance of an existing FHA-insured Mortgage requiring limited Borrower credit documentation and underwriting.

Streamlined DIL

A Streamlined Deed-in-Lieu (DIL) is a DIL transaction for Owner-Occupant Borrowers and Non-Occupant Borrowers and does not require verification of hardship.

Streamlined DIL for Servicemembers with PCS Orders

A Streamlined Deed-in-Lieu (DIL) for Servicemembers with Permanent Change of Station (PCS) Orders Option is a Streamlined DIL that may be offered to servicemembers who must relocate to a new duty station at least 50 miles away from their existing residence, without the Mortgagee verifying hardship.

Streamlined PFS

A Streamlined Pre-Foreclosure Sale (PFS) is a PFS Option available for Owner-Occupant and Non-Occupant Borrowers and does not require verification of hardship.

Streamlined PFS for Servicemembers with PCS Orders

A Streamlined Pre-Foreclosure Sale (PFS) for Servicemembers with Permanent Change of Station (PCS) Orders is a Streamlined PFS that may be offered to servicemembers who must relocate to a new duty station at least 50 miles away from their existing residence, without the Mortgagee verifying hardship.

Structure

Structure refers to a building that has a roof and walls, stands permanently in one place, and contains single or multiple housing units that are used for human habitation.

Substantially Damaged

A building is considered to be “Substantially Damaged,” as defined in the National Flood Insurance Program (NFIP) regulations, when “damage of any origin is sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.”

Supervised Mortgagee

A Supervised Mortgagee is a financial institution that is a member of the Federal Reserve System (FRS) or whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) (collectively, “Federal Banking Agencies”).

Surchargeable Damage

Surchargeable Damage is damage to a Property caused by fire, flood, earthquake, tornado, boiler explosion (for condominiums only) or Mortgagee Neglect.

Surplus Income Percentage

Surplus Income Percentage is a percentage calculated in the Mortgagee’s financial analysis to determine which Loss Mitigation Options are appropriate based on the Borrower’s income.

Surplus Land

Surplus Land refers to land that is not currently needed to support the existing improvement but cannot be separated from the Property and sold off. Surplus Land does not have an independent highest and best use and may or may not contribute to the value of the improved parcels.

Sweat Equity

Sweat Equity refers to labor performed, or materials furnished, by or on behalf of the Borrower before closing on the Property being purchased.

Test Case

Test Case refers to a Mortgage loan used by a Mortgagee when requesting an Unconditional Direct Endorsement (DE) approval. These loans must be processed per the Direct Endorsement eligibility requirements and approved by HUD for endorsement.

Third Party Documents

Third Party Documents refer to those documents that are originated and signed outside of the control of the Mortgagee, such as the sales contract.

Third-Party Originator (TPO)

A Third-Party Originator (TPO) is an entity that originates FHA Mortgages for an FHA-approved Mortgagee acting as its sponsor. A TPO may be an FHA-approved Mortgagee or a non-FHA-approved entity.

Tier Ranking System

The Tier Ranking System (TRS) II is a methodology for measuring a Mortgagee's performance in complying with HUD's Loss Mitigation Program.

Tiered Pricing

Tiered Pricing refers to any variance in Mortgage Charge Rates of more than two percentage points from the Mortgagee's reasonable and customary rate for insured Mortgages for dwellings located within the area.

Title I Lender

A Title I Lender is a Mortgagee that (a) holds a valid Title I contract of insurance and is approved by FHA or (b) held a Title I contract that has been terminated or suspended but remains responsible for servicing or selling the Title I Loan that it holds and is authorized to file insurance claims on these Loans.

Title II Mortgagee

A Title II Mortgagee is a Mortgagee that has been approved to participate in Title II and/or Title XI programs under the National Housing Act (12 U.S.C. § 1707 et seq. and 12 U.S.C. § 1749aaa et seq.).

TOTAL

TOTAL refers to "Technology Open To Approved Lenders." FHA's TOTAL Mortgage Scorecard evaluates the overall creditworthiness of the borrower, based on a number of credit variables and, when combined with the functionalities of the Automated Underwriting System (AUS), indicates a recommended level of underwriting and documentation to determine a loan's eligibility for insurance by the FHA.

Total Loan Amount

Total Loan Amount of the FHA Mortgage is the mortgage amount including the amount of any financed UFMIP. The insured mortgage amount is the Total Loan Amount.

Total Required Investment

Total Required Investment refers to the amount the Borrower must contribute to the transaction including the Borrower's downpayment and the Borrower-paid transaction costs. The Total Required Investment includes the MRI.

Trade Equity

Trade Equity refers to when a Borrower trades their Real Property to the seller as part of the cash investment.

Trade-In of Manufactured Housing

Trade-In of Manufactured Housing refers to the Borrower's sale or trade-in of another Manufactured House that is not considered real estate to a Manufactured Housing dealer or an independent third party.

Transfer Date

The Transfer Date is the date on which the Borrower's Mortgage Payment is first due to the Transferee Servicing Mortgagee.

Transferee Servicing Mortgagee

The Transferee Servicing Mortgagee is the Mortgagee to which the servicing responsibilities have been transferred.

Transferor Servicing Mortgagee

The Transferor Servicing Mortgagee is the Mortgagee that transfers servicing responsibilities.

Trial Payment Plan

A Trial Payment Plan (TPP) is a payment plan for a minimum period of three months, during which the Borrower must make the agreed-upon consecutive monthly payments prior to final execution of the Loan Modification or FHA-HAMP.

Tri-Merged Credit Report (TRMCR)

A Tri-Merged Credit Report is also referred to as a Three Repository Merged Credit Report (TRMCR). The TRMCR refers to a credit report that contains the data from all three credit repositories into one report.

Trust Income

Trust Income refers to income that is regularly distributed to a Borrower from a trust.

Unaudited Regulatory Report

An Unaudited Regulatory Report refers to a report of condition and income, also known as the "call report," which is submitted on the Federal Financial Institutions Examination Council forms 031 and 041, or a consolidated or fourth quarter NCUA call report, submitted on NCUA Form 5300 or 5310.

Under Construction

Under Construction refers to the period from the first placement of permanent material to 100 percent completion with no Certificate of Occupancy (CO) or equivalent.

Underserved Census Tracts

Underserved Census Tracts are those areas identified by HUD as meeting the definition found at 24 CFR § 81.2. Underserved Census Tract areas are: 1) tracts in metropolitan areas a) having a

median income of no more than 90 percent of the area as a whole, or b) having a median income of no more than 120 percent and minorities comprise at least 30 percent of the tract's population; 2) all tracts in any nonmetropolitan area which a) have a median income of no more than 95 percent of the nonmetropolitan part of the state or nation, whichever is greater, or b) have a median income of no more than 120 percent and minorities comprise at least 30 percent of the area's population.

Uniform Residential Appraisal Report (URAR)

The *URAR* is the standard appraisal reporting form available through all lenders. Fannie Mae and Freddie Mac *URAR* forms are acceptable.

Unimproved Property Appraisal

Unimproved Property Appraisal refers to the valuation of an interest in land without human made Structures.

Unresolved Finding

An Unresolved Finding is a material, adverse written Finding, to include fair lending violations of the Fair Housing Act or Equal Credit Opportunity Act, contained in a lawsuit or report produced in connection with an investigation, audit, or review conducted by HUD, another federal, state, or local governmental agency, or by any other regulatory or oversight Entity with jurisdiction over the Mortgagee or its officers, partners, directors, principals, managers, supervisors, loan processors, loan underwriters, or loan originators, that has not yet been resolved through final agency or judicial action.

Vacant Property Inspection

A Vacant Property Inspection is an inspection by the Mortgagee of a Property that is not occupied.

Vacation Home

Vacation Home refers to a dwelling used primarily for recreational purposes and enjoyment and that is not a Principal or Secondary Residence.

Viable Repair Plan

A Viable Repair Plan is a plan for repairs of a mortgaged Property within the amounts available through insurance proceeds and borrower funds.

Work Item

Work Item refers to a specific repair or improvement that will be performed.

Work Write-Up

The Work Write-Up refers to the report prepared by a 203(k) Consultant that identifies each Work Item to be performed and the specifications for completion of the repair.

FHA Single Family Housing Policy Handbook

ACRONYMS

A

AAFB - Area Approved for Business
ACA - Asset Control Area
ACD - Accelerated Claims Disposition
ADP Codes - Automated Data Processing Codes
ADU - Accessory Dwelling Unit
AHP - Affordable Housing Program
AHPP - Affordable Housing Program Plan
AM - Asset Management or Asset Manager
AMC - Appraisal Management Company
APZ - Accident Potential Zone
AQB - Appraiser Qualifications Board
ARM - Adjustable Rate Mortgage
ASC - Appraisal Subcommittee
AUS - Automated Underwriting System
AVM - Automated Valuation Model
AWEA - American Wind Energy Association

B

B2G - Business to Government
BIA - Bureau of Indian Affairs
BPO - Broker's Price Opinion
BPS - Basis Points

C

CAFMV - Commissioner's Adjusted Fair Market Value
CAIVRS - [Credit Alert Verification Reporting System](#)
CBRS - Coastal Barrier Resources System
CDBG - Community Development Block Grant
CEO - Chief Executive Officer
CFO - Chief Financial Officer
CFPB - [Consumer Financial Protection Bureau](#)
CFR - Code of Federal Regulations
CHUMS - Computerized Homes Underwriting Management System
CLTV - Combined Loan-to-Value
CMT - Constant Maturity Treasury
CO - Certificate of Occupancy
COO - Chief Operating Officer
CPA - Certified Public Accountant
CPL - Closing Protection Letter
CVS - Certificate of Veteran Status
CWCOT - Claims Without Conveyance of Title

D

DAS - Deputy Assistant Secretary
DASP - Distressed Asset Stabilization Program
DBA - Doing Business As
DDR - Delinquency/Default Reason
DDS - Delinquency/Default Status
DE - Direct Endorsement
DEC - Departmental Enforcement Center
DHHL - Department of Hawaiian Home Lands
DIL - Deed-in-Lieu
DIT - Deficit Income Test
DoD - Department of Defense
DOM - Days on Market
DTI - Debt-to-Income

E

EAD - Electronic Appraisal Delivery
ECOA - Equal Credit Opportunity Act
eCB - Electronic Case Binder
EDI - Electronic Data Interchange
EEH - Energy Efficient Homes
EEM - Energy Efficient Mortgage
EESA - Emergency Economic Stabilization Act
EFT - Electronic Funds Transfer
EHLP - Emergency Homeowners' Loan Program
EIN - Employer Identification Number
EMT - Emergency Medical Technician
EPA - U.S. Environmental Protection Agency
EPD - Early Payment Default
EPM - Exit Premium Mortgage
E-Sign Act - Electronic Signatures in Global and National Commerce Act
EVARS - Extensions and Variances Automated Requests System

F

FAIR - Fair Access to Insurance Requirements
FAQ - Frequently Asked Questions
FCRA - Fair Credit Reporting Act
FDIC - Federal Deposit Insurance Corporation
FEMA - Federal Emergency Management Agency
FHA - Federal Housing Administration
FHA-HAMP - FHA Home Affordable Modification Program
FHAC - [Federal Housing Administration Connection](#)
FHAC-B2G - FHA Connection - Business to Government
FHA Lender ID - FHA Lender Identification Number
FHEO - Office of Fair Housing and Equal Opportunity

FHLB - Federal Home Loan Bank
FHLMC - Federal Home Loan Mortgage Corporation (also known as Freddie Mac)
FICA - Federal Insurance Contributions Act
FIRM - Flood Insurance Rate Map
FMV - Fair Market Value
FNMA - Federal National Mortgage Association (also known as Fannie Mae)
FOC - Financial Operations Center
FRS - Federal Reserve System
FSM - Field Service Manager

G

GAAP - Generally Accepted Accounting Principles
GAAS - Generally Accepted Auditing Standards
GAGAS - Generally Accepted Government Auditing Standards
GBA - Gross Building Area
GEM - Growing Equity Mortgages
GFE - Good Faith Estimate
GLA - Gross Living Area
GNND - Good Neighbor Next Door
GNMA - Government National Mortgage Association (also known as Ginnie Mae)
GPM - Graduated Payment Mortgages
GRM - Gross Rent Multiplier
GSA - General Services Administration
GSE - Government-Sponsored Enterprise
GTR - Government Technical Representative

H

H4H - HOPE for Homeowners
HAMP - Home Affordable Modification Program
HECM - Home Equity Conversion Mortgage
HERMIT - Home Equity Reverse Mortgage Information Technology
HERR - Home Energy Rating Report
HERS - Home Energy Rating System
HFA - Housing Finance Agency
HHF - Hardest Hit Fund
HIP - Housing Initiative Partnership
HOA - Homeowners' Association
HOC - Homeownership Center
HOPE - Homeownership and Opportunity for People Everywhere
HUD - U.S. Department of Housing and Urban Development
HUDCLIPS - HUD's Client Information and Policy System

I

IBTS - Institute for Building Technology and Safety (IBTS)
ID - Identification
IEC - International Electrotechnical Commission

IECC - International Energy Conservation Code
IHA - Indian Housing Authority
IPA - Independent Public Accountant
IRA - Individual Retirement Account
IRC - Internal Revenue Code
IRS - Internal Revenue Service

L

LDP - Limited Denial of Participation
LE - Life Expectancy
LEAP - [Lender Electronic Assessment Portal](#)
LES - Leave and Earnings Statement
LI - Lender Insurance
LIP - Loan Insurance Premium
LIBOR - London Interbank Offered Rate
LLC - Limited Liability Company
LOMA - Letter of Map Amendment
LOMR - Letter of Map Revision
LTV - Loan-to-Value

M

M&M - Management and Marketing
MAP - Multifamily Accelerated Processing
MCM - Mortgagee Compliance Manager
MDCS - Minimum Decision Credit Score
MERS - Mortgage Electronic Registration System
MHCSS - Manufactured Home Construction and Safety Standards
MHV - Manufactured Housing Valuation
MIC - Mortgage Insurance Certificate
MIP - Mortgage Insurance Premium
MISMO - Mortgage Industry Standards Maintenance Organization
ML - Mortgagee Letter
MLS - Multiple Listing Service
MMI - Mutual Mortgage Insurance
MMIF - Mutual Mortgage Insurance Fund
MPR - Minimum Property Requirements
MPS - Minimum Property Standards
MRB - Mortgagee Review Board
MRI - Minimum Required Investment

N

NADA - National Automobile Dealers Association
NAID - Name and Address Identification Number
NAR - National Association of Realtors
NCUA - National Credit Union Administration
NDC - Net Development Cost

NFIP - National Flood Insurance Program
NHOP - Nehemiah Housing Opportunity Grants Program
NMLS - Nationwide Mortgage Licensing System and Registry
NOD - Notice of Deficiency
NOPA - Notice to Occupant of Pending Acquisition
NOR - Notice of Return
NOV - Notice of Violation
NPDMS - Nonprofit Data Management System
NPIOG - Nonprofit Instrumentality of Government
NPMA - National Pest Management Association
NRTL - Nationally Recognized Testing Laboratory
NSC - National Servicing Center
NSP - Neighborhood Stabilization Program
NTMCR - Non-Traditional Mortgage Credit Report

O

OGC - Office of General Counsel
OIG - Office of Inspector General
OLG - Office of Loan Guarantee
ONAP - Office of Native American Program
OSFAM - Office of Single Family Asset Management
OUI - Oldest Unpaid Installment

P

P&I - Principal and Interest
P&L - Profit and Loss
P&P - Preservation and Protection
PCR - Property Condition Report
PCS - Permanent Change of Station
PDF - Portable Document Format
PDMDA - Presidentially-Declared Major Disaster Area
PFGMH - Permanent Foundations Guide for Manufactured Housing
PFS - Pre-Foreclosure Sale
PHA - Public Housing Agency
PIN - Personal Identification Number
PITI - Principal, Interest, Taxes, and Insurance
PMMS - Primary Mortgage Market Survey
POA - Power of Attorney
POC - Paid Outside Closing
PPA - Power Purchase Agreement
PSA - Participating Servicer Agreement
PTI - Total Mortgage Payment to Effective Income Ratio
PUD - Planned Unit Development

Q

QC - Quality Control

QM - Qualified Mortgage

QR - Quick Response

R

REO - Real Estate Owned

RESPA - Real Estate Settlement Procedures Act

RMCR - Residential Mortgage Credit Report

RPZ - Reduced Pressure Zone

S

SAFE Act - Secure and Fair Enforcement for Mortgage Licensing Act of 2008

SAM - [System for Award Management](#)

SBA - Small Business Administration

SCRA - Servicemembers Civil Relief Act

SF - Single Family

SFB - Special Forbearance

SFDMS - Single Family Default Monitoring System

SFHA - Special Flood Hazard Area

SFIS - Single Family Insurance System

SFLS - Single Family Loan Sale

SPPA - Solar Power Purchase Agreement

SSA - Social Security Administration

SSI - Supplemental Security Income

SSN - Social Security Number

SWCC - Small Wind Certification Council

T

TDD - Telecommunication Device for the Deaf

TDHE - Tribally Designated Housing Entities

TILA - Truth in Lending Act

TIN - Tax Identification Number

TOTAL - Technology Open To Approved Lenders

TPO - Third-Party Originator

TPP - Trial Payment Plan

TRMCR - Three Repository Merged Credit Report, also known as Tri-Merged Credit Report

TRS - Tier Ranking System

TS - Transaction Set

TTY - Text Telephone

U

UAD - Uniform Appraisal Dataset

UETA - Uniform Electronic Transactions Act

UFMIP - Upfront Mortgage Insurance Premium

URL - Uniform Resource Locator

URLA - Uniform Residential Loan Application

URAR - Uniform Residential Appraisal Report

U.S.C. - United States Code

USCIS - U.S. Citizenship and Immigration Services

USDA - United States Department of Agriculture

USGS - U.S. Geological Survey

USPAP - [Uniform Standards of Professional Appraisal Practice](#)

UST - Underground Storage Tanks

V

VA - Department of Veterans Affairs

VOD - Verification of Deposit

VOE - Verification of Employment

X

XML - Extensible Markup Language